

TROY SCHOOL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**for the fiscal year ended
June 30, 2008**

Troy School District

**4400 Livernois Road
Troy, Michigan 48098**

Troy School District

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008

**TROY SCHOOL DISTRICT
4400 LIVERNOIS ROAD
TROY, MICHIGAN 48098**

**PREPARED BY:
DIVISION OF BUSINESS SERVICES
MICHAEL M. ADAMCZYK
ASSISTANT SUPERINTENDENT - BUSINESS SERVICES**

Troy School District

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Troy School District

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September 29, 2008

To the Citizens of Troy and the
Board Members of Troy Schools:

The Comprehensive Annual Financial Report of the Troy School District (the "School District") for the fiscal year ended June 30, 2008 is submitted herewith. The report was prepared by the School District's Department of Business Services. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School District. We believe the data, as presented, is accurate in all material respects. The information is presented in a manner designed to fairly set forth the financial position and the results of operations of the School District as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the School District's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the organizational chart, a listing of the elected and top administrative officials of the School District, and the Certificate of Excellence. The financial section includes the management's discussion and analysis, financial statements, the fund financial statements, notes to the financial statements, required and other supplemental information, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiple-year basis.

The School District's financial statements include all funds, account groups, and departments over which the Board of Education is financially accountable. The Board of Education is responsible for the selection and appointment of the superintendent of schools, as well as setting policy, developing long-range educational goals, adopting and amending operating budgets, and evaluating school programs.

It is the mission of the Troy School District, in partnership with parents and the community, to prepare students of all ages and abilities to be knowledgeable, caring, productive, and contributing members of a democratic society. The Troy School District will become an exemplary learning community that supports innovation and is committed to continuous improvement. The Troy School District will be a place where a collaborative community develops curriculum, instructional strategies, and assessment to ensure all students learn.

Overview

The Troy School District is a fiscally independent school district established under the laws of the State of Michigan and governed by an elected, seven-member Board of Education. It is somewhat unique in the Detroit metropolitan area in that its 26.61 square miles are totally within the City of Troy. It is a suburban district located in Oakland County, Michigan with continuing growth and development provided by upscale office and research facilities, light industry, and housing expansion.

The School District has 12 elementary schools, grades K-5; four middle schools, grades 6-8; two traditional high schools, grades 9-12; one alternative high school; a “GROW” program serving Special Education students ages 19 through 26; and is in consortium in a grades 9-12 international academy, which offers an international baccalaureate diploma. The School District also has a Board of Education office; a transportation facility; an adult/alternative/continuing education building; a central stores/maintenance facility; and a building housing special education services, as well as offices for media, technology, food service, athletics, research and evaluation, fine arts, reading and writing, science, social studies, and math.

Major Initiatives and Achievements

The Troy School District offers a comprehensive curriculum for all students. Goals and objectives define the skills, knowledge, and understanding expected of all learners for each subject at each grade level. School District staff, incorporating elements of the State’s model core curriculum, has developed the curriculum. It meets or exceeds all standards required for school accreditation by the Michigan Department of Education.

Curriculum Development

Core Curriculum

Teachers and administrators in the Troy School District continue to implement a comprehensive curriculum for all students in kindergarten through twelfth grade. Our curriculum is based on the Grade Level Content Expectations for grades Kindergarten through eight and the High School Course Expectations for grades nine through twelve that have been approved by the State of Michigan Board of Education. These state guidelines have been reviewed by teachers and administrators in the Troy School District and have been integrated into our curriculum. The curriculum of the Troy School District meets or exceeds all standards required for school accreditation by the Michigan Department of Education.

The written curriculum and pacing guides function as outlines for instruction. These documents identify what our teachers teach and what students should learn. For each subject at each grade level, goals and objectives define the skills, knowledge, and understandings expected of the students. These steer teachers as they prepare lessons. These goals and objectives have been matched with state and national standards to ensure that we are preparing our students for today, as well as tomorrow. Throughout the district, high standards infuse the curriculum.

During the 2007-2008 school year, several enhancements were made to the Troy School District curriculum. At the elementary level, we continued our focus on writing instruction and provided additional staff development for our teachers in this area. We also began an extensive review of our reading/language arts instructional program that will result in the adoption of new instructional practices and the use of new materials to improve student achievement. In addition, review of our other core curriculum areas - math, science, and social studies - continued throughout the year. Opportunities were also provided for teachers in the arts, physical education, and foreign language to meet and review their curriculum areas.

The secondary curriculum continued its development throughout the 2007-2008 school year. New courses were added in Fundamentals of Business, Forensic Science, and Philosophy. New materials were purchased for several classes, including high school physics, astronomy, and world history. A new program to assist struggling readers in middle school was adopted as well. Finally, new math manipulatives for middle school were purchased to help students conceptualize math concepts. Teachers had a variety of opportunities to engage in professional development activities throughout the year.

Baker Middle School and Morse Elementary School, candidate International Baccalaureate schools, continued their collaboration and development of teaching units as they worked toward full authorization. We have filed applications for full authorization for both programs and anticipate visits during the 2008/2009 school year from the International Baccalaureate Organization to validate our progress.

All buildings in the Troy School District have earned accreditation from the North Central Association Commission on Accreditation and School Improvement. Following the most recent cycle of accreditation, we determined that we would follow a District Accreditation model rather than continue to pursue individual building accreditation. District Accreditation is an approach that builds the capacity of all schools and departments within the system to increase and sustain student learning. We are one of eight districts in the State of Michigan to have received such accreditation. Our system goals are as follows:

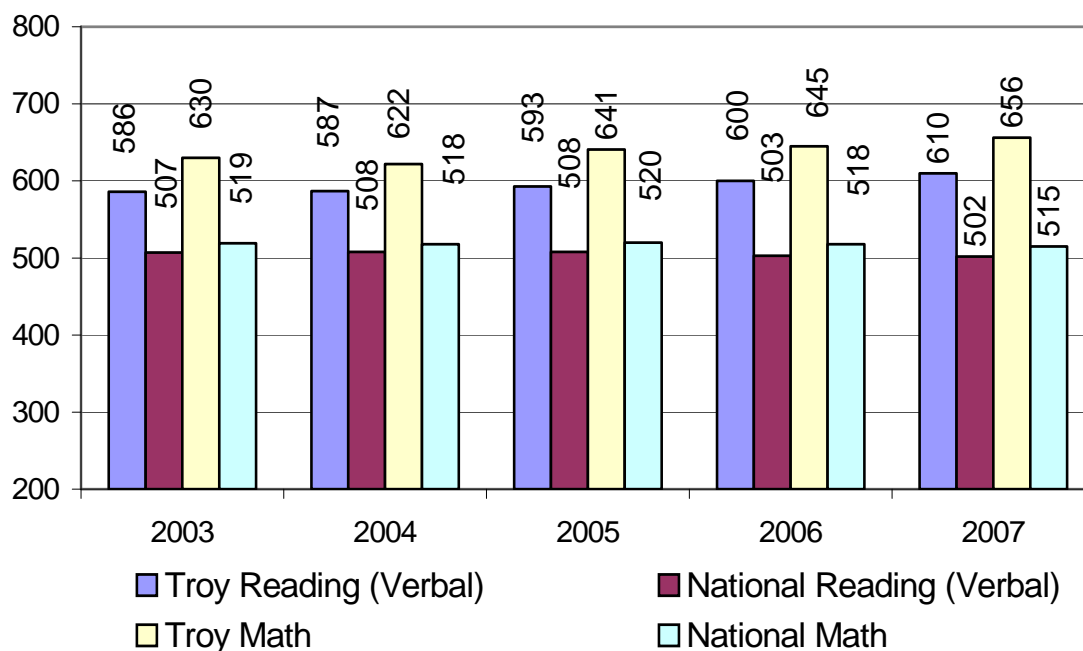
- All Troy School District students will create and pursue personal growth plans.
- All Troy School District students will perceive they are accepted at school regardless of cultural, ethnic, gender, academic or other individual differences as measured by a validated survey.
- The Troy School District will score in the top 5 percent of all districts in the state on all subtests of the Michigan Department of Education assessment programs (MEAP).
- All Troy School District “No Child Left Behind” (NCLB) subgroups will make Adequate Yearly Progress on all subtests of the Michigan Department of Education assessment programs.

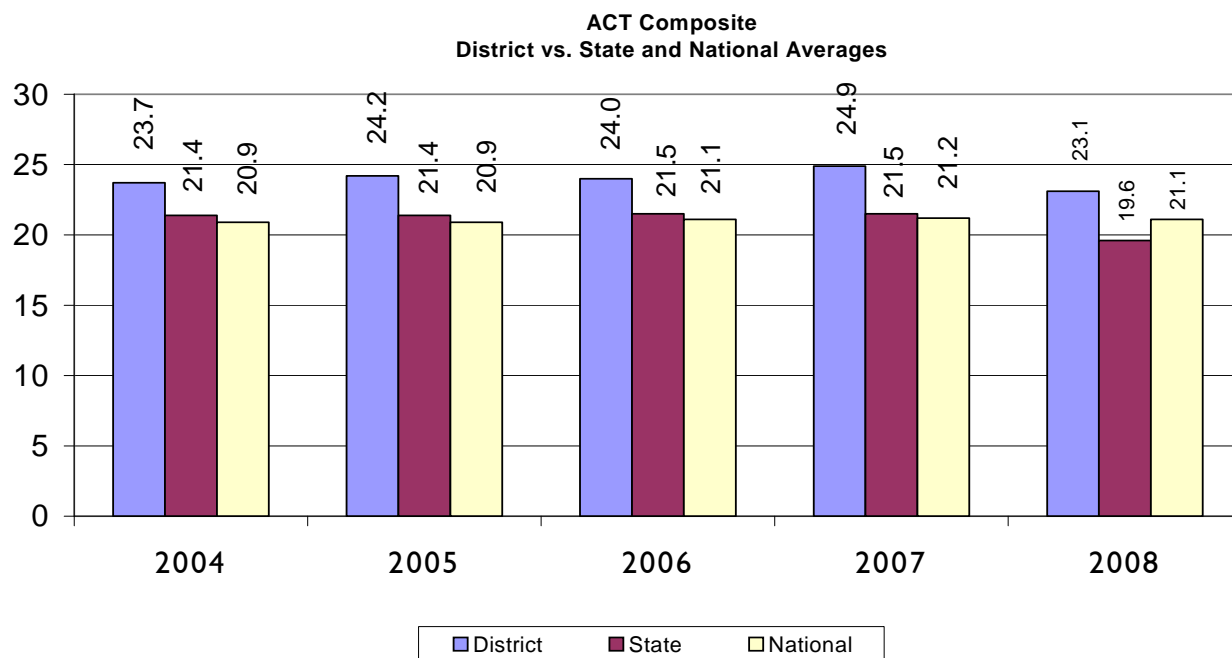
An exceptional number of Troy School District students attend institutions of higher learning upon graduation. The University of Michigan grants additional points for admission consideration to students who have graduated from Troy School District.

Years Ended June 30	Percent of Students Graduating	Percent of Students Attending College
2008	99	95
2007	98	95
2006	99	94
2005	99	94
2004	99	93
2003	99	93
2002	99	92
2001	99	92
2000	99	95
1999	98	94
1998	97	95
1997	97	95

Students' results on standardized achievement measures such as the SAT, the ACT, the Iowa Test of Basic Skills, Form A (ITBS), and the tests of the Michigan Educational Assessment Program (MEAP) are among the highest in the tri-county area (see graphs and charts following).

SAT I Reasoning Test District vs. National Averages





Median Percentile Rank of ITBS District Reading and Math:

	2007-2008		2006-2007		2005-2006	
	<u>Reading</u>	<u>Math</u>	<u>Reading</u>	<u>Math</u>	<u>Reading</u>	<u>Math</u>
Grade 3	70	83	76	87	77	88
Grade 5	74	84	76	86	78	86
Grade 7	72	79	71	77	69	77

Troy School District Advanced Placement Testing

<u>Years Ended June 30</u>	<u>Number Taken</u>	<u>Percent Qualifying</u>
2007-2008	1,708	83
2006-2007	1,662	86
2005-2006	1,468	85
2004-2005	1,379	83
2003-2004	1,140	82
2002-2003	1,220	77
2001-2002	1,204	77
2000-2001	1,116	77

**MEAP/MME Percentile Test Results for Elementary School (grades 3 - 5)
Middle School (grades 6-8) and High School (grade 11)**

	Elementary					Middle Schools					High Schools			
	07-08	06-07	05-06	04-05		07-08	06-07	05-06	04-05		07-08	06-07	05-06	04-05
Reading	94	96	95	94		91	92	90	89		81	77	77	78
Writing	77	76	83	82		89	88	89	79		68	68	61	60
Math	97	96	96	95		90	88	89	83		74	74	74	69
Science	96	96	93	93		90	86	90	84		79	78	76	71
Social Studies	--	--	--	56		89	88	92	55		91	91	90	56

Troy Schools has 18 buildings that have achieved State recognition as exemplary schools: Athens High School, Troy High School, Baker Middle School, Boulan Park Middle School, Larson Middle School, Smith Middle School, Barnard Elementary School, Bemis Elementary School, Costello Elementary School, Hamilton Elementary School, Hill Elementary School, Leonard Elementary School, Martell Elementary School, Morse Elementary School, Schroeder Elementary School, Troy Union Elementary School, Wass Elementary School, and Wattles Elementary School. All Troy District K-12 schools have earned the prestigious Blue Ribbon award from the Michigan Department of Education.

Troy parents value and support education. The Troy School District enjoys the active support and participation of parents in PTO/PTA groups, booster clubs, and building and district-level committees. Parent attendance at parent/teacher conferences is high as is the level of parent volunteerism for activities and programs. The high level and quality of parent involvement contribute greatly to the overall quality of the schools' programs. The percentage of parents attending fall conferences for the past three years is as follows:

Level	2008	2007	2006
K-5	99%	99%	99%
6-8	84%	83%	82%
9-12	82%	81%	81%

In addition to high student achievement, Troy Schools has one of the lowest dropout rates for districts of its size, consistently under one half of 1 percent. The low dropout rate is a reflection of family and community values, as well as the clear expectations of Troy educators that students will successfully complete their education.

In consortia with eight other Oakland County school districts, Troy School District participates in an international academy, which is based on an international baccalaureate program. For close to ten years, a total of 100 Troy School District students have been selected by lottery to attend the International Academy. Beginning with the 2008-2009 school year, Troy will become a third campus of the International Academy. Old Baker Middle School has been transformed into the International Academy East. IA East will begin classes in August with 135 9th graders that will include 30-40 schools of choice students from around metropolitan Detroit. In four years, the building will have a maximum capacity of nearly 550-600 students. Troy School District also has students participating in the General Motors Technical Academy where the curriculum focuses on drafting. There are options to meet the needs of special education students at 24 different programs at out-of-school district sites. A total of over 24 students attended the Oakland Technical Education Center to study curriculum ranging from food service to automotive programs.

Economic Condition and Outlook

As the School District completes its fourteenth year under Proposal A, approved by Michigan voters in 1994, revenues have not kept pace with inflation. Proposal A substantially shifted funding responsibility from the local level to the state level and from property tax as the major revenue source. Now, the School District is dependent upon the state legislature for not only the majority of its funds, but also its funding level.

Although the School District is financially stable at the present time with a solid fund balance, the future requires that the School District continue to develop a long term set of strategies to ensure it is able to maintain a balanced budget in the future.

Over the last 10 years, Troy has seen a residential population growth of 4.5 percent. In November of 2007, Morgan Quinto Press rated Troy as the safest city in Michigan and among the top 10 safest cities in the nation. In 2008, CMM Money ranked Troy #22 of its Top 100 Best Places to Live in the U.S. Although the city has seen a decrease in workforce population, the business environment remains strong as home to the world headquarters of three of Michigan's 22 Fortune 500 companies.

Internal Controls

This report consists of management's representations concerning the finances of the School District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the School District has established a comprehensive internal control framework that is designed both to protect the School District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the School District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the School District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

All expenditure requests require proper administrative approval before any transactions and orders for goods can be processed. Individual budget managers are responsible for complying with the School District's purchasing policy and are prohibited from over-expending their legally adopted budget allocations.

Budgetary Controls

The School District maintains budgetary controls to ensure that budgets are in compliance with legal provisions in the annual appropriation budget adopted by the Board of Education.

Formal budgetary integration is employed as a management controls device throughout the year for the General Fund, Special Revenue Funds, Capital Projects Funds, Internal Service Fund, and Debt Service Funds. Under the guidelines of Bulletin 1022 (Revised), the State of Michigan's *School Accounting Manual*, detailed budget information is provided, and appropriate administrators are delegated the responsibility for monitoring and controlling their respective budget allocations. Controls are in place that will not allow individuals to spend more than the amount appropriated to them. The controls are integrated into the School District's computerized accounting system. Expenditures are prohibited from exceeding appropriations at the area level. An encumbrance system is utilized to measure the uncommitted budget amount available at any given point in time during the year. The budget is amended during the year to appropriately address variances that occur as a result of enrollment changes and revenue and expenditure allocations.

The administration believes that the existing system of budgetary and accounting controls provides a reasonable level of assurance that errors or irregularities that could be material to the financial statements are prevented or that they would be detected within a timely manner.

As demonstrated by the statements and schedules included in the financial section of this report, the School District continues to meet its responsibility for sound financial management.

Debt Administration

On June 14, 2004, the Troy School District voters passed a \$119,500,000 bond issue. The bond issue is primarily devoted to technology enhancements, building additions and improvements, and school bus purchases. The 2004 bond issue has been developed not to impact the operational budget of the Troy School District but to work in harmony with the budget. This issue will continue the excellent maintenance program of the Troy School District, as well as enhance instruction to prepare its students to become lifelong learners and meet the challenges of an ever-changing world. Under current State statutes, the School District's general obligation bonded debt issuances are subject to a legal limitation based on 15 percent of total assessed value of real and personal property. As of June 30, 2008, the School District's net general obligation bonded debt of \$150,495,000 was well below the statutory bonding limit of \$667,311,154. Per capita debt totaled only \$1,711 at June 30, 2008.

Cash Management

In accordance with Michigan statutes, the School District's cash management guidelines are established to maximize its interest earnings while attempting to minimize the risk of loss of invested principal. Interest-bearing checking accounts, cash management accounts, certificates of deposit in state or national banks, approved savings and loan associations, and commercial paper are all instruments used to achieve this goal.

In 2007-2008, the School District's General Fund earned \$1,116,030 in investment income. Funds are invested in accordance with Sections 380.1221 and 380.1223 of the Michigan School Code, Act 451 of 1976, as amended, and are approved by the Board of Education annually. An aggressive but prudent review and analysis of the investment portfolio and cash flow needs provide additional revenues not only to the General Fund but all other funds of the School District that have cash resources available.

Risk Management

The School District carries a comprehensive insurance package to protect the School District and its employees. Coverage includes commercial general liability, property damage, garage liability, automobile coverage, school leaders errors and omissions, and various crime and liability coverage. The School District also carries a \$10,000,000 commercial umbrella policy.

The blanket building limit coverage for the 2007-2008 school year was \$348,491,344. Insurance coverage is reviewed annually to assure that the School District is properly protected. The School District participates in the MAISL Joint Risk Management Trust, a consortium of 36 school districts.

Independent Audit

State of Michigan statutes require an annual audit by independent certified public accountants. The accounting firm of Plante & Moran, PLLC was appointed by the Troy Board of Education to perform this service for the 2007-2008 fiscal year. In addition, the OMB Circular A-133 requires governmental recipients of federal assistance to have organization-wide financial and compliance audits on an annual basis.

Single Audit

As a recipient of federal, state, and county financial assistance, the School District is responsible for ensuring that an adequate internal administrative control structure is in place to document compliance with applicable laws and regulations related to those programs. Tests are made by the School District's auditors to determine the adequacy of the internal and administrative control structure. This control structure is also subject to periodic evaluation by management.

The results of the School District's single audit for the fiscal year ended June 30, 2008 indicated no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Both of these requirements have been met, and the auditor's report on the basic financial statements is included herein.

Other Information

Enrollment

Enrollment projections are performed annually, and, if necessary, adjustments are made. A five-year projection of enrollment is done utilizing data from the county, city, and school district.

Information such as live births, cohort survival ratios, residential building permits, and work force/economic statistics is used in the enrollment projections. Historically, this method has proven to be accurate, within a reasonable variance, for planning future facility needs.

Awards

This report has been prepared following the guidelines recommended by the Association of School Business Officials (ASBO). The ASBO awarded a Certificate of Excellence in Financial Reporting to the Troy School District for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 1989-2007. In order to be awarded a Certificate of Excellence, the School District must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Excellence Program's requirements, and we are submitting it to ASBO to determine its eligibility for another certificate.

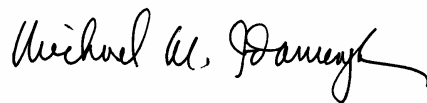
Acknowledgments

The preparation of this report was accomplished through the commitment and dedication of the business office, especially the district accountant, Renelle Tolan. The Comprehensive Annual Financial Report was prepared by the Troy School District's business services department.

Continued diligence in fiscal management and timely communication between the administration and Board of Education will facilitate efforts to exceed the present high level of excellence expected by the School District's constituents.

In order for the community to know the content of this report, copies will be made available in each school building, at the City of Troy library, and at the offices of the city manager and Chamber of Commerce.

Respectfully submitted,



Michael M. Adamczyk
Treasurer/Assistant Superintendent,
Business Services



Barbara A. Fowler, Ph.D.
Superintendent of Schools

TROY SCHOOL DISTRICT

DISTRICT OFFICIALS

ADMINISTRATION

Barbara A. Fowler, Ph.D.
Superintendent

Michael M. Adamczyk
Assistant Superintendent, Business Services

Jasen Witt, J.D.
Assistant Superintendent, Human Resources

Richard Machesky, Ed.D
Assistant Superintendent, Secondary Instruction

Kathleen Davisson
Assistant Superintendent, Elementary Instruction

Robert Stromayer
Director, Continuing Education

Tim McAvoy
Director, Community Relations

BOARD OF EDUCATION

Paula Fleming
President

Carol Pochodylo
Vice President

Gary Hauff
Secretary

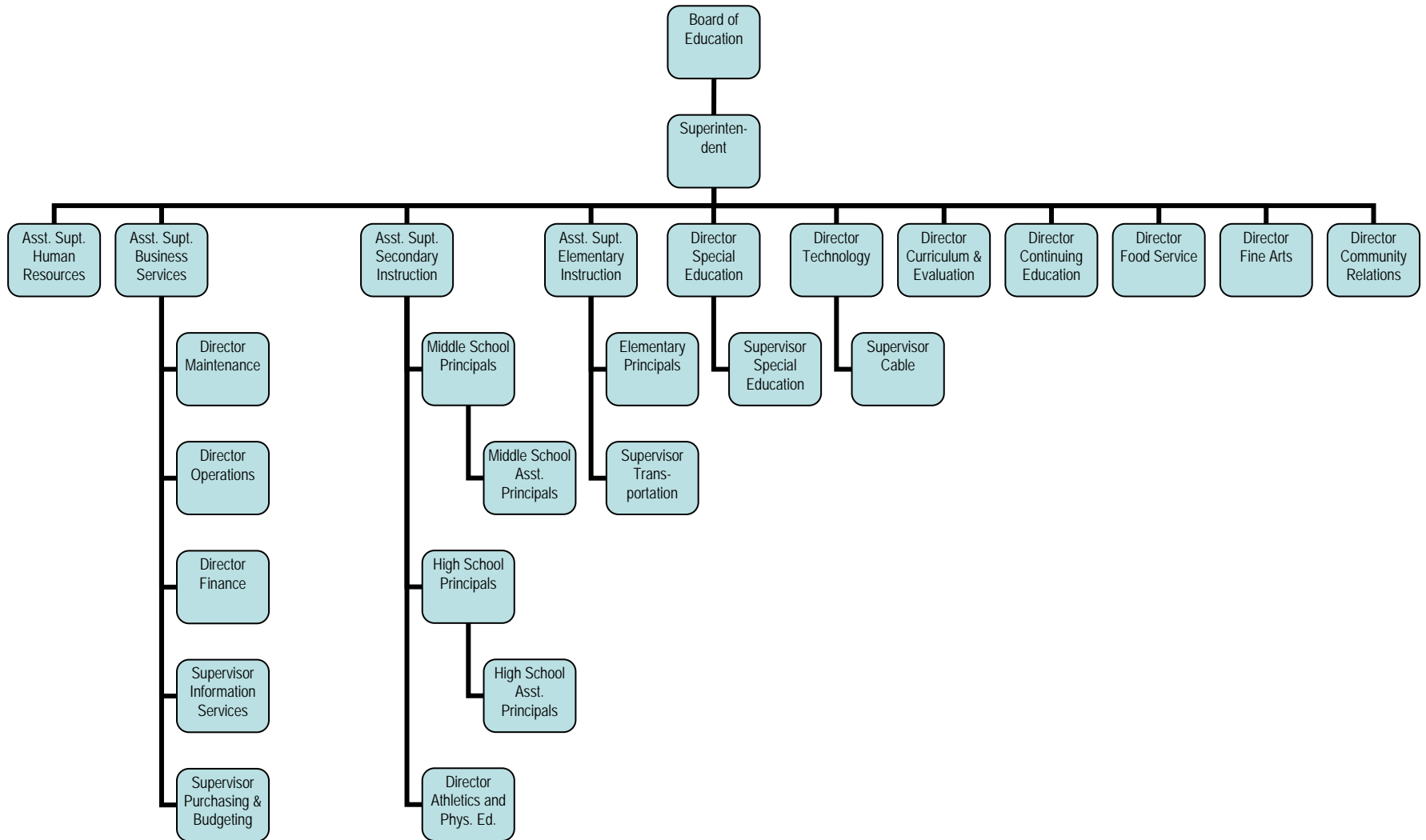
Ida Edmunds
Trustee

Mary Beth Halushka
Trustee

Todd Milette
Trustee

Wendy Underwood
Trustee

TROY SCHOOL DISTRICT
ORGANIZATIONAL CHART
2007-2008 SCHOOL YEAR



**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

TROY SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2007

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Grome E. Brendel

President

John D. Musso

Executive Director

Independent Auditor's Report

To the Board of Education
Troy School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Troy School District (the "School District") as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Troy School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Troy School District as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule - General Fund, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Troy School District's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Education
Troy School District

The accompanying introductory section and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008 on our consideration of the Troy School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moreau, PLLC

September 29, 2008

Troy School District

Management's Discussion and Analysis

This section of the 2008 annual financial report presents our discussion and analysis of Troy School District's (the "School District") financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Troy School District financially as a whole. The financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the financial statements by providing information about the School District's most significant funds, the General Fund and 2004 Capital Projects Funds, with all other funds presented in one column as nonmajor funds. The School District's Proprietary Internal Service Fund is reported separately from the governmental funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis - MD&A **(Required Supplemental Information)**

- Basic Financial Statements
 - District-wide Financial Statements
 - Fund Financial Statements
 - Proprietary Fund
 - Fiduciary Fund
 - Notes to Financial Statements
- Required Supplemental Information - Budgetary Information for General Fund
- Other Supplemental Information
 - Combining Balance Sheet Nonmajor Funds
 - Combining Revenue, Expenditures, and Changes in Fund Balances Nonmajor Funds
 - Budgetary Comparison Schedule - Governmental Funds (excluding General Fund) and Proprietary Fund
 - Statement of Bonded Indebtedness

Troy School District

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Financial Statements

One of the most important questions asked about the School District is, "What is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Troy School District's net assets, which are the difference between assets and liabilities, as reported in the statement of net assets, as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets, as reported in the statement of activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. Many other nonfinancial factors, such as the scope and quality of the education provided, as well as the safety of the students and schools, must be considered to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds, not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes, such as the Food Services and Athletics Funds. Funds are also established to show that it is meeting legal responsibilities for using certain taxes, grants, and other money, including the 2004 and 2006 Bond Issues, which fund construction for voter-approved capital projects. By definition, the General Fund and 2004 Capital Projects Funds are the only funds that qualify to be classified as major funds. The governmental funds of the School District use the following accounting approach:

Troy School District

Management's Discussion and Analysis (Continued)

Governmental and proprietary funds: All of the School District's services are reported in governmental and proprietary funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship between governmental activities and governmental funds in a reconciliation format in the financial section on pages 15 and 17. The School District's Proprietary Internal Service Fund reports on the full accrual basis and presents the School District's obligations for early retirement incentive payments due in future years.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District acts as the trustee for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

The statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I	Governmental Activities	
	2008	2007
	(in millions)	
Assets		
Current and other assets	\$ 72.5	\$ 104.0
Capital assets	178.9	161.1
Total assets	251.4	265.1
Liabilities		
Current liabilities	29.1	32.5
Long-term liabilities	155.7	169.5
Total liabilities	184.8	202.0
Net Assets		
Invested in property and equipment - Net of related debt	40.7	39.5
Restricted	4.0	3.4
Unrestricted	21.9	20.2
Total net assets	<u>\$ 66.6</u>	<u>\$ 63.1</u>

Troy School District

Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets. The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were \$66.6 million at June 30, 2008 compared to \$63.1 million at June 30, 2007. Capital assets, net of related debt, totaled \$40.7 million and \$39.5 million at June 30, 2008 and 2007, respectively. This compares the original cost less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$4.0 million and \$3.4 million at June 30, 2008 and 2007, respectively, are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$21.9 million and \$20.2 million at June 30, 2008 and 2007, respectively, was unrestricted.

The \$21.9 million at June 30, 2008 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. It means that if all bills had to be paid today, including all noncapital liabilities, there would be \$21.9 million left. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Troy School District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal years 2008 and 2007 (see Table 2).

TABLE 2

	Governmental Activities	
	2008	2007
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 6.7	\$ 6.7
Operating grants	20.3	19.6
General revenue:		
Property taxes	68.2	66.8
State aid	63.3	62.8
Other	4.5	7.3
Total revenue	163.0	163.2

Troy School District

Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2008	2007
	(in millions)	
Functions/Program Expenses		
Instruction	\$ 87.1	\$ 87.2
Support services	56.5	53.2
Community services	2.7	3.1
Food services	3.3	3.1
Athletics	2.2	2.2
Interest on long-term debt	7.7	8.3
Total functions/program expenses	159.5	157.1
Increase in Net Assets	3.5	6.1
Net Assets - Beginning of year	63.1	57.0
Net Assets - End of year	<u>\$ 66.6</u>	<u>\$ 63.1</u>

As reported in the statement of activities, the cost of all governmental activities this year was \$159.5 million, an increase of \$2.4 million, or 1.5 percent, from 2006-2007. Certain activities were partially funded from those who benefited from the programs (\$6.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$20.3 million). The remaining "public benefit" portion of governmental activities was funded with \$68.2 million in taxes, \$63.3 million in state aid allowance, and with other revenues, such as interest and general entitlements. Total revenues in 2007-2008 were \$163.0 million, a decrease of approximately \$200,000 from 2006-2007.

The Troy School District experienced an increase in net assets of \$3.5 million primarily as a result of ongoing operations in the School District. In addition, long-term debt decreased \$13.0 million in 2007-2008.

As discussed above, the net cost shows the financial burden that was placed on the State and the Troy School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted revenues.

The School District's Funds

As noted earlier, the Troy School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Troy School District is being held accountable for the resources taxpayers and others provide to it and may give more insight into the School District's overall financial health.

Troy School District

Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$54.8 million, a decrease of \$26.5 million from the prior year. The changes in major and nonmajor funds are as follows:

	General Funds	Capital Projects 2004	Other Nonmajor Funds	Governmental Funds 2008 Total	Proprietary Funds
Fund Balances - Beginning of year	\$ 24,417,413	\$ 37,190,277	\$ 19,699,767	\$ 81,307,457	\$ 447,479
Increase (decrease)	(220,427)	(15,755,261)	(10,543,076)	(26,518,764)	149,435
Fund Balances - End of year	<u>\$ 24,196,986</u>	<u>\$ 21,435,016</u>	<u>\$ 9,156,691</u>	<u>\$ 54,788,693</u>	<u>\$ 596,914</u>

In the General Fund, our principal operating fund, the fund balance decreased by \$220 thousand compared to a \$1.1 million increase in the prior year. Revenues and other financing sources increased \$204 thousand from the prior year and expenditures and other financing uses increased approximately \$1.56 million for a net decrease of \$1.36 million from the prior year. There was a \$48 increase in the state foundation allowance and an enrollment increase of 77.95 students. Increased expenditures are a normal part of operations as a result of salary and benefit increases, increased costs for utilities, and other operating expenses. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

The 2004 Capital Projects Fund decreased by approximately \$15.8 million in 2007-2008. This is due to earnings on investments of \$335,263, and expenditures of \$16.1 million.

The other non-major funds decreased by \$10.5 million, primarily due to spending of the remaining project costs in the 2006 Capital Projects Fund. The Adult and Community Education Fund increased by approximately \$391,000 due primarily to increased child care revenue. The Food Service Fund decreased by approximately \$88,000 due to increased food costs. Combined, the Debt Service Funds showed a fund balance increase of \$724,832. Millage rates are reviewed annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service.

The fund balance in the Durant Fund did not change from the prior year. The fund had earnings on investments of \$226,995. There were no expenditures in this fund during the current school year. The Durant Fund made an operating transfer of \$226,995 to the General Fund.

Troy School District

Management's Discussion and Analysis (Continued)

The Internal Service Fund is used to account for the activity related to the voluntary resignation incentive program. This fund was created in 2004-2005 and had expenditures of approximately \$214,000 and earnings on investments of approximately \$149,000.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in June 2008. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information in these financial statements.

Several changes were made to the originally adopted 2007-2008 General Fund budget. Revenues increased by \$2.0 million to account for additional earnings on investments, revised state aid and categorical grants, and federal grant award settlements. Expenditures decreased by \$1.1 million to account for changes in estimates for salaries and benefits, costs of supplies and purchased services, and other expenses in the operating plan of the School District.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2008, the School District had \$178.9 million invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This represents a net increase (including additions, deductions, and depreciation) of approximately \$17.8 million, or 11.0 percent, from last year.

Land	\$ 2,592,570
Buildings and construction in progress	156,433,013
Furniture and equipment	<u>19,847,275</u>
Total capital assets	<u>\$ 178,872,858</u>

This year's change in fixed assets included \$27.9 million of additions for building renovations, technology, school buses and other vehicles, and food services equipment. Depreciation expense accounts for the main decrease in net capital assets. There are continued major capital projects planned for the 2008-2009 fiscal year as a result of the \$119,500,000 bond issue, which was passed by the voters on June 14, 2004.

We present more detailed information about our capital assets in the notes to the financial statements.

Troy School District

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$156.1 million in bonds outstanding versus \$166.6 million in the previous year - a decrease of \$10.5 million. Those bonds consisted of the following:

General obligation bonds	\$ 150,495,000
Plus deferred issuance premiums	7,627,604
Less deferred interest	<u>(1,978,230)</u>
Total	<u><u>\$ 156,144,374</u></u>

The School District's underlying general obligation bond rating from Moody's remained at Aa2 while the bond rating from Standard and Poor's remained at AA-. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's outstanding unqualified general obligation debt is significantly below this \$667.3 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, early retirement incentive payable, reserve for known workers' compensation claims, and incurred but not yet reported healthcare claims. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation allowance revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent of the February 2008 and 75 percent of the September 2008 student counts. The 2008-2009 budget was adopted in June 2008 based on a blended student membership count of 12,204.38. Approximately 83 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Troy School District

Management's Discussion and Analysis (Continued)

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. If actual state revenues are less than their estimates, reduction to the per-pupil funding allowance may be necessary. The School District budgeted a \$50 per pupil increase in the foundation allowance when the budget was created. The actual increase as approved by the legislature is \$56 per pupil. The School District's General Fund balance of \$24,196,986 is sufficient to meet any unanticipated shortfalls the State may experience in the School Aid Fund.

Troy School District

Statement of Net Assets June 30, 2008

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 32,677,494
Receivables (Note 4):	
Accounts receivable	81,143
Taxes receivable	66,620
Due from other governmental units	14,009,813
Accrued interest	148,056
Inventories	240,513
Prepaid expenses	286,758
Restricted cash and investments (Notes 3 and 10)	24,972,605
Nondepreciable capital assets (Note 5)	3,395,457
Depreciable capital assets (Note 5)	175,477,401
Total assets	251,355,860
Liabilities	
Accounts payable	3,502,558
Accrued payroll and other liabilities	11,660,618
Deferred revenue (Note 4)	686,242
Long-term liabilities (Note 7):	
Compensated absences and other liabilities, due within one year	1,846,671
Bonds and contracts payable, due within one year	11,358,646
Bonds and contracts payable, due in more than one year	144,785,728
Compensated absences and other liabilities, due in more than one year	10,961,379
Total liabilities	184,801,842
Net Assets	
Invested in capital assets - Net of related debt	40,667,213
Restricted for:	
Debt service	1,734,957
Capital projects	2,276,778
Unrestricted	21,875,070
Total net assets	\$ 66,554,018

Troy School District

Statement of Activities Year Ended June 30, 2008

Functions/Programs	Program Revenue			Governmental Activities
	Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 87,130,404	\$ 985,219	\$ 15,656,756	\$ (70,488,429)
Support services	56,490,210	159,308	4,048,880	(52,282,022)
Food services	3,325,579	2,760,105	579,178	13,704
Athletics	2,173,322	241,758	-	(1,931,564)
Community services	2,720,825	2,515,851	-	(204,974)
Facilities acquisition	12,472	-	-	(12,472)
Interest and other bond expenditures on long-term debt	<u>7,673,678</u>	<u>-</u>	<u>-</u>	<u>(7,673,678)</u>
 Total primary government - Governmental activities	 <u>\$ 159,526,490</u>	 <u>\$ 6,662,241</u>	 <u>\$ 20,284,814</u>	 (132,579,435)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				49,844,028
Property taxes, levied for debt services				18,391,734
State aid not restricted to specific purposes				63,276,294
Interest and investment earnings				4,554,422
Other				320,599
Special item - Loss on sale of capital assets				<u>(322,419)</u>
 Total general revenue and special item				<u>136,064,658</u>
 Change in Net Assets				3,485,223
 Net Assets - Beginning of year				<u>63,068,795</u>
 Net Assets - End of year				<u>\$ 66,554,018</u>

Troy School District

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Capital Projects 2004	Other Nonmajor Governmental Funds	Total
Assets				
Cash and investments (Note 3)	\$ 21,250,537	\$ 23,395,846	\$ 9,855,922	\$ 54,502,305
Receivables:				
Accounts receivable	47,648	32,251	1,244	81,143
Taxes receivable	54,254	-	12,366	66,620
Due from other funds (Note 6)	781,388	-	294,184	1,075,572
Due from other governmental units (Note 4)	13,971,105	-	38,708	14,009,813
Accrued interest	18,711	75,558	46,849	141,118
Inventories	168,931	-	71,582	240,513
Prepays and other assets	286,633	-	125	286,758
Total assets	<u>\$ 36,579,207</u>	<u>\$ 23,503,655</u>	<u>\$ 10,320,980</u>	<u>\$ 70,403,842</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,637,487	\$ 2,006,074	\$ 23,505	\$ 3,667,066
Accrued payroll and other liabilities	10,406,082	-	35,027	10,441,109
Due to other funds (Note 6)	-	62,565	758,167	820,732
Deferred revenue (Note 4)	338,652	-	347,590	686,242
Total liabilities	12,382,221	2,068,639	1,164,289	15,615,149
Fund Balances				
Reserved:				
Inventory and prepaid items	455,564	-	71,707	527,271
Purchase commitments	157,214	-	-	157,214
Debt service	-	-	1,734,957	1,734,957
Capital Projects Fund	-	21,435,016	-	21,435,016
Unreserved:				
Designated for Durant projects	-	-	5,610,166	5,610,166
Designated for subsequent years' expenditures	3,859,756	-	-	3,859,756
Undesignated - Reported in Special Revenue Funds	-	-	1,739,861	1,739,861
Undesignated	19,724,452	-	-	19,724,452
Total fund balances	24,196,986	21,435,016	9,156,691	54,788,693
Total liabilities and fund balances	<u>\$ 36,579,207</u>	<u>\$ 23,503,655</u>	<u>\$ 10,320,980</u>	<u>\$ 70,403,842</u>

Troy School District

Reconciliation of Governmental Fund Balances to the Statement of Net Assets June 30, 2008

Fund Balances - Total Governmental Funds	\$ 54,788,693
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Amounts reported for governmental activities in the statement of net assets
are different because capital assets used in governmental activities
are not financial resources and are not reported in the funds:

Capitalized cost of the capital assets	288,248,048
Accumulated depreciation	<u>(109,375,190)</u>

Total	178,872,858
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Long-term liabilities are not due and payable in the current period and
are not reported in the funds:

Bonds payable, including issuance premiums and deferred interest	(156,144,374)
Compensated absences	(8,306,243)
Other long-term liabilities	<u>(2,034,321)</u>

Internal Service Fund assets and liabilities are included in governmental
activities in the statement of net assets

596,914

Accrued interest payable is not included as a liability in governmental
activities

(1,219,509)

Net Assets of Governmental Activities	<u>\$ 66,554,018</u>
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Troy School District

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	Capital Projects 2004	Other Nonmajor Governmental Funds	Total
Revenue				
Local sources	\$ 52,943,961	\$ 335,263	\$ 26,305,577	\$ 79,584,801
State sources	68,816,026	-	104,438	68,920,464
Federal sources	5,258,979	-	474,740	5,733,719
Interdistrict and other sources	8,622,042	-	-	8,622,042
Total revenue	135,641,008	335,263	26,884,755	162,861,026
Expenditures				
Current:				
Instruction	85,842,791	-	-	85,842,791
Support services	48,117,608	-	-	48,117,608
Community services	885,109	-	1,833,240	2,718,349
Facilities acquisition	12,472	-	-	12,472
Food services	-	-	3,258,613	3,258,613
Athletics	-	-	1,890,367	1,890,367
Debt service principal	-	-	10,165,000	10,165,000
Debt service interest and other	-	-	7,728,238	7,728,238
Other bond expenditures	-	-	21,814	21,814
Capital outlay	-	16,090,524	13,661,375	29,751,899
Total expenditures	134,857,980	16,090,524	38,558,647	189,507,151
Excess of Revenue Over (Under) Expenditures	783,028	(15,755,261)	(11,673,892)	(26,646,125)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	113,953	-	13,408	127,361
Transfers in (Note 6)	529,673	-	1,647,081	2,176,754
Transfers out (Note 6)	(1,647,081)	-	(529,673)	(2,176,754)
Total other financing sources (uses)	(1,003,455)	-	1,130,816	127,361
Net Change in Fund Balances	(220,427)	(15,755,261)	(10,543,076)	(26,518,764)
Fund Balances - Beginning of year	24,417,413	37,190,277	19,699,767	81,307,457
Fund Balances - End of year	<u>\$ 24,196,986</u>	<u>\$ 21,435,016</u>	<u>\$ 9,156,691</u>	<u>\$ 54,788,693</u>

Troy School District

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (26,518,764)

Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(10,381,420)
Capital outlay	<u>28,654,845</u>

Total	18,273,425
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The net effect of other transactions involving capital assets that increased (decreased) net assets:

Proceeds from the sale of fixed assets	(127,361)
Loss on sale of fixed assets	(322,419)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	76,374
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	10,165,000
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Amortization of deferred interest	(142,371)
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Amortization of bond premium	466,017
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Internal Service Fund activity	149,435
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Decreases in compensated absences and self-insurance are reported as expenditures when financial resources are used in the governmental funds, excluding Internal Service Fund early retirement incentive	<u>1,465,887</u>
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Change in Net Assets of Governmental Activities **\$ 3,485,223**

Troy School District

Proprietary Fund - Internal Service Fund Statement of Net Assets June 30, 2008

Assets - Current assets

Investments (Note 3)	\$ 3,147,794
Accrued interest receivable	<u>6,938</u>

Total assets	3,154,732
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Liabilities

Current liabilities - Early retirement incentive (Note 7)	1,216,728
Long-term liabilities - Early retirement incentive (Note 7)	1,250,758
Due to other funds (Note 6)	<u>90,332</u>

Total liabilities	<u>2,557,818</u>
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Net Assets - Unrestricted	<u>\$ 596,914</u>
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Troy School District

Proprietary Fund - Internal Service Fund Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2008

Operating Revenues - Charges for services	\$ 214,179
Operating Expenses - Early retirement incentive	<u>214,204</u>
Operating Loss	(25)
Nonoperating Revenues - Interest income	<u>149,460</u>
Change in Net Assets	149,435
Net Assets - Beginning of year	<u>447,479</u>
Net Assets - End of year	<u><u>\$ 596,914</u></u>

Troy School District

Proprietary Fund - Internal Service Fund Statement of Cash Flows Year Ended June 30, 2008

Cash Flows from Operating Activities - Payments for services	\$ (710,531)
Cash Flows from Investing Activities - Interest	<u>146,804</u>
Net Decrease in Cash and Cash Equivalent Investments	(563,727)
Cash and Cash Equivalent Investments - July 1, 2007	<u>3,711,521</u>
Cash and Cash Equivalent Investments - June 30, 2008	<u><u>\$ 3,147,794</u></u>
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (25)
Adjustments to reconcile operating loss to net cash from operating activities:	
Increase in due from other funds	292,053
Decrease in accrued liabilities	<u>(1,002,559)</u>
Net cash used in operating activities	<u><u>\$ (710,531)</u></u>

Troy School District

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2008

	Student Activities Agency Fund
Assets	
Cash and investments (Note 3)	\$ 1,887,179
Accrued interest receivable	<u>4,092</u>
Total assets	<u><u>\$ 1,891,271</u></u>
Liabilities	
Accounts payable	\$ 96,471
Due to other funds (Note 6)	164,508
Due to student groups	<u>1,630,292</u>
Total liabilities	<u><u>\$ 1,891,271</u></u>

Troy School District

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies

The accounting policies of the Troy School District (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on application of the criteria, the entity does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of interfund activity has been substantially eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Troy School District

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The only proprietary fund maintained is an Internal Service Fund that is used to account for the financing of an early retirement incentive payment provided to other funds on a cost-reimbursement basis. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Fiduciary Fund and Internal Service Fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

2004 Capital Projects Fund - The 2004 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring sites, buildings, and equipment and for major remodeling projects.

Additionally, the School District reports the following fund types:

The School District's proprietary fund is the Internal Service Fund. The purpose of the Internal Service Fund is to finance services provided to other funds on a cost-reimbursement basis. The Internal Service Fund is for the Voluntary Resignation Incentive Plan and is funded through payments from the General Fund.

The School District's only fiduciary fund is the Student Activities Agency Fund, which accounts for assets held by the School District in a trustee capacity or as an agent.

Additionally, the School District reports the following nonmajor governmental fund types:

The School District maintains five governmental Debt Service Funds, which are used to account for property tax and other revenue legally restricted for payment of long-term debt.

Troy School District

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

The School District maintains four nonmajor governmental Special Revenue Funds, which account for the School District's food services, athletics, adult and community education activities, and Durant funds.

The School District maintains one Capital Projects Fund that is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring sites, buildings, and equipment and for major remodeling projects. This fund has been closed out as of June 30, 2008.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments – Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund and various Debt Service Funds is allocated to each fund using a weighted average of balance for the principal invested.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are considered fully collectible and no allowance for uncollectible amounts is recorded.

Property Taxes – The property tax revenue of the School District is collected and distributed by the City of Troy as an agent for the School District. The State of Michigan establishes the process by which taxes are levied and collected. The city assessor is required to assess real property as of December 31 and complete the tax rolls by May 1. Taxes are levied on July 1 for approximately 50 percent of the school taxes due September 1 and December 1 for the remainder of the school property taxes that are due on February 15. A taxpayer may petition the City Board of Review during the first weeks of March for a revision of the assessed value. The city assessor makes approved changes in assessed and taxable values by May 1 and on this date the city treasurer is to deliver the completed assessment rolls to the county treasurer.

Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Restricted Assets – The unspent bond proceeds and related interest of the Capital Projects Fund requires amounts to be set aside for construction and fixed asset acquisition. The property taxes levied in the Debt Service Funds are required to be set aside for future principal and interest payments on bonded debt. These amounts have been classified as restricted assets on the government-wide statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

Compensated Absences – The liability for compensated absences reported in the government-wide statements consists of unpaid salaries, accumulated annual sick leave balances, and early retirement obligations. The liability has been calculated using the vesting method, in which sick leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as bond issuance costs, during the current period.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data – Comparative data is not included in the School District's financial statements.

Troy School District

Notes to Financial Statements June 30, 2008

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General, Special Revenue, Debt Service, Internal Service, and Capital Projects Funds. All annual appropriations lapse at fiscal year end. The budget document presents major General Fund information by function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

The School District amended budgeted amounts during the year in response to changes in anticipated spending for salaries, benefits, and other expenditures.

Excess of Expenditures Over Appropriations in Budgeted Funds – The School District did not have significant General Fund expenditure budget variances.

Capital Projects Fund Compliance – The 2004 Capital Projects Fund and 2006 Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2006 Capital Projects Fund. The project for which the 2006 School Building and Site bonds were issued was considered complete on June 30, 2008 and the cumulative expenditures recognized for the construction period were \$61,254,659.

Note 3 - Deposits and Investments

State statutes (and the School District's investment policy) authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated six banks for the deposit of its funds.

The investment policy adopted by the board in accordance with state statutes has authorized investment in all the allowable investment vehicles noted above.

Note 3 - Deposits and Investments (Continued)

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$23,101,079 had \$22,677,915 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states the School District will minimize this risk by limiting investments to the types of investments listed above and prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business. At June 30, 2008, the School District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy restricts investment maturities to three years or less from the date of purchase and commercial paper which can only be purchased with a 270-day maturity. The overall weighted average duration of the entire portfolio shall be less than two years. The School District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Troy School District

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top three ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Type	Name of Investment/Description	Fair Value	Maturity Date	Rating Agency Used	Rating Given
U.S. gov or agency bond or note	Federal Home Loan Bank	\$ 984,635	9/26/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Bank	807,419	1/8/2009	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Bank	2,962,740	7/28/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	992,790	10/6/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	991,480	8/15/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	1,610,418	5/21/2009	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	585,398	11/17/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	1,132,783	8/15/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Farm Credit Bank	1,470,225	4/15/2009	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Farm Credit Bank	1,993,700	6/10/2009	Standard & Poor's	AAA
Interlocal agreement fund	MILAF	9,634,793	N/A	Standard & Poor's	AAA
Commercial paper	American Express	899,689	7/21/2008	Standard & Poor's	A-1
Commercial paper	American Express	899,689	7/21/2008	Standard & Poor's	A-1
Commercial paper	American Express	2,900,326	7/21/2008	Standard & Poor's	A-1
Commercial paper	General Electric	480,273	8/3/2007	Standard & Poor's	A-1+
Commercial paper	General Electric	229,176	7/21/2008	Standard & Poor's	A-1+
Commercial paper	General Electric	349,742	7/21/2008	Standard & Poor's	A-1+
Commercial paper	General Electric	150,459	7/21/2008	Standard & Poor's	A-1+
Commercial paper	General Electric	1,750,704	7/21/2008	Standard & Poor's	A-1+
Total		<u>\$ 30,826,439</u>			

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

The School District places limits on the amount the School District may invest in any one issuer. The following requirements do not apply to the funds derived from the sale of debt. The School District's policy is as follows:

- **U.S. Government Securities** - A maximum of 100 percent of available funds may be invested in United States government securities.
- **U.S. Government Agencies** - A maximum of 50 percent of available funds may be invested in United States government agencies. A maximum of 10 percent of available funds may be invested in any individual United States government agency.
- **Federal Instrumentalities** - A maximum of 80 percent of available funds may be invested in federal instrumentalities. A maximum of 30 percent of available funds may be invested in any one issuer and a maximum of 25 percent of available funds may be invested in callable securities.
- **Certificates of Deposit** - A maximum of 75 percent of available funds may be invested in non-negotiable interest-bearing time certificates of deposit. A maximum of 37.5 percent of available funds may be deposited with any one institution.
- **Repurchase Agreements** - A maximum of 20 percent of available funds may be invested in repurchase agreements excluding one business day agreements and overnight sweep agreements.
- **Commercial Paper** - A maximum of 60 percent of available funds may be directly invested in prime commercial paper. A maximum of 30 percent of available funds may be invested with any one issuer.
- **Bankers' Acceptances** - A maximum of 20 percent of available funds may be directly invested in bankers' acceptances. A maximum of 5 percent of available funds may be invested with any one issuer.
- **Registered Investment Companies (Money Market Mutual Funds)** - A maximum of 100 percent of available funds may be invested in money market funds.

Troy School District

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the School District's investments are in the following commercial paper or government agency obligation:

<u>Issuer</u>	<u>Percent of Total Investments</u>
Federal National Mortgage Association	5.57
General Electric	9.60
Federal Farm Credit Bank	11.24
Federal Home Loan Mortgage Corp.	11.66
American Express	15.25
Federal Home Loan Bank	15.42
Michigan Liquid Asset Fund Plus	31.25

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Note 4 - Receivables and Deferred Revenue

The majority of the amount due from other governmental units, reflected on the General Fund balance sheet, is due from the State of Michigan for state aid membership which totals \$12,427,552 at June 30, 2008.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consists of fees for services received prior to providing the related services.

Troy School District

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions	Transfers and Disposals	Balance June 30, 2008
Assets not being depreciated:				
Land	\$ 2,592,570	\$ -	\$ -	\$ 2,592,570
Construction in progress	39,859,162	802,887	(39,859,162)	802,887
Subtotal	42,451,732	802,887	(39,859,162)	3,395,457
Capital assets being depreciated:				
Buildings and building improvements	157,057,227	63,206,585	-	220,263,812
Furniture and equipment	63,144,673	4,504,535	(3,060,429)	64,588,779
Subtotal	220,201,900	67,711,120	(3,060,429)	284,852,591
Total capital assets	262,653,632	68,514,007	(42,919,591)	288,248,048
Accumulated depreciation:				
Buildings and building improvements	59,110,584	5,523,102	-	64,633,686
Furniture and equipment	42,493,835	4,858,318	(2,610,649)	44,741,504
Subtotal	101,604,419	10,381,420	(2,610,649)	109,375,190
Net capital assets being depreciated	118,597,481	57,329,700	(449,780)	175,477,401
Net capital assets	\$ 161,049,213	\$ 58,132,587	\$ (40,308,942)	\$ 178,872,858

Depreciation expense was charged to specific activities of the School District as follows:

Governmental activities:

Instruction	\$ 2,048,343
Support services	7,980,680
Food services	66,966
Athletics	282,955
Community services	2,476

Total governmental activities \$ 10,381,420

Construction Commitments - The School District has active construction projects at year end. The projects include the 2004 Bond issue and various projects. At year end, the School District's commitments with contractors totaled \$2,991,278.

Troy School District

Notes to Financial Statements June 30, 2008

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From					Total
	General Fund	Capital Projects 2004	Nonmajor Governmental Funds	Internal Service Fund	Student Activities Agency Fund	
General Fund	\$ (294,184)	\$ 62,565	\$ 758,167	\$ 90,332	\$ 164,508	\$ 781,388
Nonmajor governmental funds	294,184	-	-	-	-	294,184
Total	<u>\$ -</u>	<u>\$ 62,565</u>	<u>\$ 758,167</u>	<u>\$ 90,332</u>	<u>\$ 164,508</u>	<u>\$ 1,075,572</u>

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund investment accounts.

The composition of interfund transfers is as follows:

	Transfers		Total
	Transfers Out - General Fund	Out - Nonmajor Governmental Funds	
Transfers in:			
General Fund	\$ -	\$ 529,673	\$ 529,673
Nonmajor governmental funds	1,647,081	-	1,647,081
Total	<u>\$ 1,647,081</u>	<u>\$ 529,673</u>	<u>\$ 2,176,754</u>

Transfers from the General Fund subsidized operations in the Athletic Fund. Transfers from other governmental funds transferred excess funds to the General Fund as cost reimbursement or for operating purposes.

Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, termination benefits, early retirement incentives, and certain risk liabilities.

The School District's bonds payable are liquidated by the various Debt Service Funds. The other long-term obligations are liquidated primarily by the General Fund.

Troy School District

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds	\$ 160,660,000	\$ -	\$ 10,165,000	\$ 150,495,000	\$ 11,035,000
Plus deferred amounts:					
Issuance premiums	8,093,621	-	466,017	7,627,604	466,017
Deferred interest	(2,120,601)	-	(142,371)	(1,978,230)	(142,371)
Employee compensated absences	9,357,163	-	1,050,920	8,306,243	629,943
Early retirement incentive and severance obligation	4,113,891	214,179	1,493,984	2,834,086	1,216,728
Self-insured liabilities	1,805,442	14,540	152,261	1,667,721	-
Total governmental activities	<u>\$ 181,909,516</u>	<u>\$ 228,719</u>	<u>\$ 13,185,811</u>	<u>\$ 168,952,424</u>	<u>\$ 13,205,317</u>

Annual debt service requirements to maturity for the above governmental bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2009	\$ 11,035,000	\$ 7,336,100	\$ 18,371,100
2010	11,495,000	6,881,250	18,376,250
2011	11,925,000	6,350,200	18,275,200
2012	12,460,000	5,790,650	18,250,650
2013	13,055,000	5,179,000	18,234,000
2014-2018	37,875,000	18,843,750	56,718,750
2019-2023	37,950,000	9,371,250	47,321,250
2024-2026	14,700,000	1,267,500	15,967,500
Total	<u>\$ 150,495,000</u>	<u>\$ 61,019,700</u>	<u>\$ 211,514,700</u>

Troy School District

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following at June 30, 2008:

\$53,545,000 General Obligation Bonds due in annual installments of \$630,000 to \$3,550,000 through May 1, 2026; interest at 5.00%	\$ 53,545,000
\$13,375,000 Refunding Bonds due in annual installments of \$2,110,000 to \$2,190,000 through May 1, 2010; interest at 2.50% to 3.50%	4,300,000
\$98,870,000 General Obligation and Refunding Bonds due in annual installments of \$4,050,000 to \$10,765,000 through May 1, 2024; interest at 3.75% to 5.00%	87,905,000
\$5,985,000 Refunding Bonds due in annual installments of \$1,135,000 to \$1,235,000 through May 1, 2012; interest at 4.00%	<u>4,745,000</u>
Total bonded debt	<u>\$ 150,495,000</u>

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 8,306,243
Early retirement incentive and severance obligation	2,834,086
Self-insured liabilities	<u>1,667,721</u>
Total	<u>\$ 12,808,050</u>

Early Retirement Incentive - The School District has a long-term early retirement incentive program in place that calls for monthly payments of \$101,395 through August 2010. The obligation is presented at net present value using a discount rate of 2.50 percent.

Troy School District

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Defeased Debt - In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$51,715,000 of bonds outstanding are considered defeased.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss claims and health insurance for certain employee groups and participates in the Metropolitan Association for Improved School Legislation (MAISL) risk pool for claims relating to property and general liability. The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The School District is only partially insured for medical claims for certain other employee groups and for all workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Workers' Compensation - The School District is partially uninsured for workers' compensation claims. Under the plan, the School District's maximum loss is limited to an amount equal to a percentage of the normal workers' compensation premiums. Losses in excess of this limitation are insured up to an aggregate limit of \$5,000,000.

Health Insurance - The School District is partially uninsured for health claims for certain employee groups. The School District's maximum loss is limited to an aggregate loss fund amount (\$4,562,316 for calendar year 2008). All claims filed on a calendar year basis in excess of the loss fund are paid by an excess insurer.

Changes in the estimated liability for uninsured health and workers' compensation claims (both current and long-term) for the past two fiscal years are as follows:

	2008	2007
Estimated liability - Beginning of year	\$ 1,805,442	\$ 1,735,656
Estimated claims incurred, including changes in estimates	3,910,501	4,005,576
Claim payments	(4,048,222)	(3,935,790)
Estimated liability - End of year	<u>\$ 1,667,721</u>	<u>\$ 1,805,442</u>

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system operates under the provisions of Michigan Public Act 300 of 1980 and provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 11.19 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 10.17 percent for the period from October 1, 2007 through June 30, 2008. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's required and actual contributions to the plan for the years ended June 30, 2008, 2007, and 2006 were \$8,433,579, \$9,170,420, and \$7,916,356, respectively.

Postemployment Benefits - Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverage through MPERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 6.55 percent for the period from October 1, 2007 through June 30, 2008. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2008, 2007, and 2006 were \$5,431,656, \$5,367,851, and \$5,296,439, respectively.

Troy School District

Notes to Financial Statements June 30, 2008

Note 10 - Restricted Assets

The balances of governmental activities restricted asset accounts are as follows:

Unspent bond proceeds and related interest	\$ 23,395,846
Property tax collections for repayment of bonded indebtedness	<u>1,576,759</u>
Total restricted assets	<u>\$ 24,972,605</u>

Required Supplemental Information

Troy School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 53,155,210	\$ 53,008,596	\$ 52,943,961	\$ (64,635)
State sources	67,083,251	68,645,827	68,816,026	170,199
Federal sources	5,504,855	5,799,065	5,258,979	(540,086)
Interdistrict and other sources	7,878,754	8,199,977	8,622,042	422,065
Total revenue	133,622,070	135,653,465	135,641,008	(12,457)
Expenditures - Current				
Instruction:				
Basic programs	68,799,073	67,825,088	67,910,771	85,683
Added needs	15,510,563	15,554,662	15,490,099	(64,563)
Adult and continuing education	2,478,233	2,607,829	2,441,921	(165,908)
Support services:				
Pupil	11,001,106	10,446,349	10,321,443	(124,906)
Instructional staff	7,542,054	7,770,563	7,834,993	64,430
General administration	2,123,792	2,137,827	2,196,132	58,305
School administration	7,594,798	7,771,678	7,622,702	(148,976)
Business services	1,455,956	1,481,798	1,180,961	(300,837)
Operations and maintenance	12,834,596	12,806,042	12,733,930	(72,112)
Transportation	4,681,319	4,463,592	4,526,031	62,439
Central support services	1,865,298	1,997,466	1,701,416	(296,050)
Community services	971,145	888,835	885,109	(3,726)
Facilities acquisition	-	31,580	12,472	(19,108)
Total expenditures	136,857,933	135,783,309	134,857,980	(925,329)
Other Financing Sources (Uses)				
Transfers in	561,569	555,572	529,673	(25,899)
Transfers out	(1,725,960)	(1,778,084)	(1,647,081)	131,003
Proceeds from sale of fixed assets	4,228,000	28,000	113,953	85,953
Total other financing sources (uses)	3,063,609	(1,194,512)	(1,003,455)	191,057
Net Change in Fund Balance	(172,254)	(1,324,356)	(220,427)	1,103,929
Fund Balance - July 1, 2007	24,417,413	24,417,413	24,417,413	-
Fund Balance - June 30, 2008	<u>\$ 24,245,159</u>	<u>\$ 23,093,057</u>	<u>\$ 24,196,986</u>	<u>\$ 1,103,929</u>

Other Supplemental Information

Troy School District

	Special Revenue Funds				Capital Project Fund
	Food Services	Athletics	Adult and Community Education	Durant	406
Assets					
Cash and investments	\$ 1,179,256	\$ 69,232	\$ 1,233,228	\$ 5,797,445	\$ 2
Accounts receivable	-	1,037	207	-	-
Taxes receivable	-	-	-	-	-
Due from other funds	-	-	-	-	14
Due from other governmental units	38,708	-	-	-	-
Accrued interest receivable	2,152	-	2,152	39,716	-
Inventories	71,582	-	-	-	-
Prepays and other assets	-	-	125	-	-
Total assets	<u>\$ 1,291,698</u>	<u>\$ 70,269</u>	<u>\$ 1,235,712</u>	<u>\$ 5,837,161</u>	<u>\$ 16</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 3,117	\$ 10,092	\$ 10,280	\$ -	\$ 16
Accrued payroll and other liabilities	3,688	93	31,246	-	-
Due to other funds	229,424	60,084	90,497	226,995	-
Deferred revenue	90,431	-	257,159	-	-
Total liabilities	326,660	70,269	389,182	226,995	16
Fund Balances					
Reserved:					
Inventory and prepaid items	71,582		125	-	-
Debt service	-		-	-	-
Unreserved:					
Designated for Durant projects	-	-	-	5,610,166	-
Undesignated	893,456	-	846,405	-	-
Total fund balances	<u>965,038</u>	<u>-</u>	<u>846,530</u>	<u>5,610,166</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,291,698</u>	<u>\$ 70,269</u>	<u>\$ 1,235,712</u>	<u>\$ 5,837,161</u>	<u>\$ 16</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Debt Service Funds

1997	2004A	2004	2006	2007	Total
\$ 355,996	\$ 193,236	\$ 527,168	\$ 255,591	\$ 244,768	\$ 9,855,922
-	-	-	-	-	1,244
-	1,689	5,418	1,258	4,001	12,366
13,318	17,164	224,038	39,650	-	294,184
-	-	-	-	-	38,708
818	352	1,123	536	-	46,849
-	-	-	-	-	71,582
-	-	-	-	-	125
<u>\$ 370,132</u>	<u>\$ 212,441</u>	<u>\$ 757,747</u>	<u>\$ 297,035</u>	<u>\$ 248,769</u>	<u>\$ 10,320,980</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,505
-	-	-	-	-	35,027
-	-	-	-	151,167	758,167
-	-	-	-	-	347,590
-	-	-	-	151,167	1,164,289
-	-	-	-	-	71,707
370,132	212,441	757,747	297,035	97,602	1,734,957
-	-	-	-	-	5,610,166
-	-	-	-	-	1,739,861
<u>370,132</u>	<u>212,441</u>	<u>757,747</u>	<u>297,035</u>	<u>97,602</u>	<u>9,156,691</u>
<u>\$ 370,132</u>	<u>\$ 212,441</u>	<u>\$ 757,747</u>	<u>\$ 297,035</u>	<u>\$ 248,769</u>	<u>\$ 10,320,980</u>

Troy School District

	Special Revenue Funds			
	Food Services	Athletics	Adult and Community Education	Durant
Revenue				
Local sources	\$ 2,806,492	\$ 243,286	\$ 2,312,254	\$ 226,995
State sources	104,438	-	-	-
Federal sources	474,740	-	-	-
Total revenue	3,385,670	243,286	2,312,254	226,995
Expenditures				
Current:				
Community services	-	-	1,833,240	-
Food services	3,258,613	-	-	-
Athletics	-	1,890,367	-	-
Debt service:				
Principal	-	-	-	-
Interest and other	-	-	-	-
Other bond expenditures	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	3,258,613	1,890,367	1,833,240	-
Excess of Revenue Over (Under) Expenditures	127,057	(1,647,081)	479,014	226,995
Other Financing Sources (Uses)				
Transfers (out) in	(214,912)	1,647,081	(87,766)	(226,995)
Proceeds from sale of capital assets	90	-	-	-
Total other financing (uses) sources	(214,822)	1,647,081	(87,766)	(226,995)
Net Change in Fund Balances	(87,765)	-	391,248	-
Fund Balances - Beginning of year	1,052,803	-	455,282	5,610,166
Fund Balances - End of year	<u>\$ 965,038</u>	<u>\$ -</u>	<u>\$ 846,530</u>	<u>\$ 5,610,166</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

Capital Projects Fund		Debt Service Fund				
2006	1997	2004A	2004	2006	2007	Total
\$ 2,089,984	\$ 3,617	\$ 2,496,030	\$ 11,697,441	\$ 2,821,177	\$ 1,608,301	\$ 26,305,577
-	-	-	-	-	-	104,438
-	-	-	-	-	-	474,740
2,089,984	3,617	2,496,030	11,697,441	2,821,177	1,608,301	26,884,755
-	-	-	-	-	-	1,833,240
-	-	-	-	-	-	3,258,613
-	-	-	-	-	-	1,890,367
-	-	2,295,000	6,630,000	-	1,240,000	10,165,000
-	-	174,500	4,618,101	2,674,957	260,680	7,728,238
-	-	3,149	6,054	2,592	10,019	21,814
13,661,375	-	-	-	-	-	13,661,375
13,661,375	-	2,472,649	11,254,155	2,677,549	1,510,699	38,558,647
(11,571,391)	3,617	23,381	443,286	143,628	97,602	(11,673,892)
-	-	-	-	-	-	1,117,408
-	13,318	-	-	-	-	13,408
-	13,318	-	-	-	-	1,130,816
(11,571,391)	16,935	23,381	443,286	143,628	97,602	(10,543,076)
11,571,391	353,197	189,060	314,461	153,407	-	19,699,767
<u>\$ -</u>	<u>\$ 370,132</u>	<u>\$ 212,441</u>	<u>\$ 757,747</u>	<u>\$ 297,035</u>	<u>\$ 97,602</u>	<u>\$ 9,156,691</u>

Troy School District

	Special Revenue Funds		Debt Service Funds	
	Budget	Actual	Budget	Actual
Revenue				
Local sources	\$ 5,523,006	\$ 5,589,027	\$ 18,407,737	\$ 18,626,566
State sources	108,951	104,438	-	-
Federal sources	475,923	474,740	-	-
Total revenue	6,107,880	6,168,205	18,407,737	18,626,566
Expenditures				
Special Revenue Funds:				
Salaries	3,002,243	2,950,588	-	-
Employee benefits	1,075,307	1,031,810	-	-
Purchased services	675,337	800,445	-	-
Supplies/Materials	266,233	2,149,550	-	-
Capital outlay	1,924,153	5,674	-	-
Other expenditures	48,190	44,153	-	-
Debt service:	-	-	-	-
Principal	-	-	10,165,000	10,165,000
Interest and other	-	-	7,728,247	7,728,238
Other bond expenditures	-	-	72,000	21,814
Capital outlay	-	-	-	-
Total expenditures	6,991,463	6,982,220	17,965,247	17,915,052
Excess of Revenue Over (Under) Expenditures	(883,583)	(814,015)	442,490	711,514
Other Financing Sources				
Transfers in	1,040,231	1,117,408	-	-
Proceeds from sale of capital assets	-	90	-	13,318
Total other financing sources	1,040,231	1,117,498	-	13,318
Net Change in Fund Balances	156,648	303,483	442,490	724,832
Fund Balances - Beginning of year	7,118,251	7,118,251	1,010,125	1,010,125
Fund Balances - End of year	<u>\$ 7,274,899</u>	<u>\$ 7,421,734</u>	<u>\$ 1,452,615</u>	<u>\$ 1,734,957</u>

Other Supplemental Information

Budgetary Comparison Schedule - Governmental Funds (Excluding General Fund) and Proprietary Fund - Internal Service Fund

Year Ended June 30, 2008

Capital Projects Funds		Internal Service Fund	
Budget	Actual	Budget	Actual
\$ 2,112,128	\$ 2,425,247	\$ 400,000	\$ 363,639
-	-	-	-
-	-	-	-
2,112,128	2,425,247	400,000	363,639
-	-	-	-
-	-	-	-
2,492,696	2,706,557	-	-
6,500	4,066	-	-
27,729,552	27,037,676	-	-
3,600	3,600	200,000	214,204
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
30,232,348	29,751,899	200,000	214,204
(28,120,220)	(27,326,652)	200,000	149,435
-	-	-	-
-	-	-	-
-	-	-	-
(28,120,220)	(27,326,652)	200,000	149,435
48,761,668	48,761,668	447,479	447,479
<u>\$ 20,641,448</u>	<u>\$ 21,435,016</u>	<u>\$ 647,479</u>	<u>\$ 596,914</u>

Troy School District

June 30	2007 Debt			2006 Debt		
	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate
2009	\$ 1,235,000	\$ 189,800	4.000	\$ 630,000	\$ 2,677,250	5.000
2010	1,205,000	140,400	4.000	800,000	2,645,750	5.000
2011	1,170,000	92,200	4.000	1,775,000	2,605,750	5.000
2012	1,135,000	45,400	4.000	2,075,000	2,517,000	5.000
2013	-	-	-	2,290,000	2,413,250	5.000
2014	-	-	-	3,525,000	2,298,750	5.000
2015	-	-	-	3,525,000	2,122,500	5.000
2016	-	-	-	3,525,000	1,946,250	5.000
2017	-	-	-	3,525,000	1,770,000	5.000
2018	-	-	-	3,525,000	1,593,750	5.000
2019	-	-	-	3,525,000	1,417,500	5.000
2020	-	-	-	3,525,000	1,241,250	5.000
2021	-	-	-	3,550,000	1,065,000	5.000
2022	-	-	-	3,550,000	887,500	5.000
2023	-	-	-	3,550,000	710,000	5.000
2024	-	-	-	3,550,000	532,500	5.000
2025	-	-	-	3,550,000	355,000	5.000
2026	-	-	-	3,550,000	177,500	5.000
	<u>\$ 4,745,000</u>	<u>\$ 467,800</u>		<u>\$ 53,545,000</u>	<u>\$ 28,976,500</u>	
Principal payments due	May 1			May 1		
Interest payments due	May 1 and November 1			May 1 and November 1		
Interest rate	4.00%			5.00%		
Original issue	<u>\$ 5,985,000</u>			<u>\$ 53,545,000</u>		

**Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2008**

2004 Debt			2004A Debt		
Principal	Interest	Interest Rate	Principal	Interest	Interest Rate
\$ 6,980,000	\$ 4,340,450	4.000, 5.000	\$ 2,190,000	\$ 128,600	2.500
7,380,000	4,021,250	5.000	2,110,000	73,850	3.500
8,980,000	3,652,250	3.750, 5.000	-	-	-
9,250,000	3,228,250	5.000	-	-	-
10,765,000	2,765,750	5.000	-	-	-
4,050,000	2,227,500	5.000	-	-	-
4,050,000	2,025,000	5.000	-	-	-
4,050,000	1,822,500	5.000	-	-	-
4,050,000	1,620,000	5.000	-	-	-
4,050,000	1,417,500	5.000	-	-	-
4,050,000	1,215,000	5.000	-	-	-
4,050,000	1,012,500	5.000	-	-	-
4,050,000	810,000	5.000	-	-	-
4,050,000	607,500	5.000	-	-	-
4,050,000	405,000	5.000	-	-	-
4,050,000	202,500	5.000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 87,905,000</u>	<u>\$ 31,372,950</u>		<u>\$ 4,300,000</u>	<u>\$ 202,450</u>	
May 1			May 1		
May 1 and November 1			May 1 and November 1		
3.75% to 5.00%			2.50% to 3.50%		
<u>\$ 98,870,000</u>			<u>\$ 13,375,000</u>		

Statistical and Other Information (Unaudited)

Troy School District

Net Assets by Component

	June 30						
	2002	2003	2004	2005	2006	2007	2008
Governmental Activities							
Invested in capital assets - Net							
of related debt	\$ 22,371,818	\$ 27,171,994	\$ 25,827,547	\$ 28,949,595	\$ 35,678,044	\$ 39,520,249	\$ 40,667,213
Restricted	5,159,619	2,460,986	767,907	1,938,459	2,592,210	3,371,854	4,011,735
Unrestricted	<u>30,232,410</u>	<u>25,363,438</u>	<u>33,180,151</u>	<u>24,464,131</u>	<u>18,725,178</u>	<u>20,176,692</u>	<u>21,875,070</u>
 Total primary government net assets	 <u>\$ 57,763,847</u>	 <u>\$ 54,996,418</u>	 <u>\$ 59,775,605</u>	 <u>\$ 55,352,185</u>	 <u>\$ 56,995,432</u>	 <u>\$ 63,068,795</u>	 <u>\$ 66,554,018</u>

Note: This schedule includes all periods subsequent to the adoption of GASB No. 34.

Source: Data included in this schedule from 2002-2007 has been excerpted from prior audited financial statements.

Troy School District

Changes in Governmental Net Assets

	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
Instruction	\$ 77,948,704	\$ 82,042,521	\$ 80,785,619	\$ 88,747,576	\$ 84,096,275	\$ 87,171,212	\$ 87,130,404
Support services	45,276,940	49,607,745	52,928,974	53,433,135	55,765,484	53,189,328	56,490,210
Food services	2,756,344	2,946,119	3,017,616	3,121,786	3,085,138	3,161,951	3,325,579
Athletics	1,787,558	1,946,018	1,942,654	2,096,801	2,058,617	2,197,785	2,173,322
Community services	2,287,575	2,420,695	3,920,749	4,028,914	3,414,463	3,098,075	2,720,825
Facilities acquisition							12,472
Interest on long-term debt	4,975,874	4,609,160	4,335,127	5,412,602	6,318,539	8,306,480	7,673,678
 Total government activities	 135,032,995	 143,572,258	 146,930,739	 156,840,814	 154,738,516	 157,124,831	 159,526,490
Program revenues:							
Charges for services	6,299,916	6,789,416	7,386,672	7,436,496	6,914,213	6,686,027	6,662,241
Operating grants and contributions	9,498,076	9,202,867	9,440,829	17,750,348	18,417,860	19,580,075	20,284,814
 Total program revenue	 15,797,992	 15,992,283	 16,827,501	 25,186,844	 25,332,073	 26,266,102	 26,947,055
 Net expense	 <u>\$ (119,235,003)</u>	 <u>\$ (127,579,975)</u>	 <u>\$ (130,103,238)</u>	 <u>\$ (131,653,970)</u>	 <u>\$ (129,406,443)</u>	 <u>\$ (130,858,729)</u>	 <u>\$ (132,579,435)</u>
General revenues:							
Property taxes	\$ 58,278,890	\$ 59,969,080	\$ 60,404,226	\$ 66,168,277	\$ 66,462,954	\$ 66,766,960	\$ 68,235,762
State aid not restricted to specific purposes	64,340,336	63,725,350	65,502,382	58,779,988	60,069,254	62,843,834	63,276,294
Investment earnings	1,180,674	641,109	522,790	2,299,143	4,422,790	5,541,036	4,554,422
Other	128,690	217,698	130,153	73,778	181,128	1,766,150	320,599
 Total general revenues	 123,928,590	 124,553,237	 126,559,551	 127,321,186	 131,136,126	 136,917,980	 136,387,077
 Special item	 325,100	 259,309	 8,322,874	 (90,636)	 (86,436)	 14,112	 (322,419)
 Changes in Net Assets	 <u>\$ 5,018,687</u>	 <u>\$ (2,767,429)</u>	 <u>\$ 4,779,187</u>	 <u>\$ (4,423,420)</u>	 <u>\$ 1,643,247</u>	 <u>\$ 6,073,363</u>	 <u>\$ 3,485,223</u>

Note: This schedule includes all periods subsequent to the adoption of GASB No. 34.

Source: Data included in this schedule from 2002-2007 has been excerpted from prior audited financial statements.

Troy School District

	1999	2000	2001	2002
General Fund				
Reserved	\$ 2,023,140	\$ 1,801,274	\$ 2,180,575	\$ 4,741,345
Unreserved	<u>31,151,425</u>	<u>25,202,198</u>	<u>26,692,960</u>	<u>28,882,512</u>
Total General Fund	<u>\$ 33,174,565</u>	<u>\$ 27,003,472</u>	<u>\$ 28,873,535</u>	<u>\$ 33,623,857</u>
All Other Government Funds				
Reserved	\$ 34,878,153	\$ 20,442,543	\$ 13,794,972	\$ 10,555,442
Unreserved - Reported in Special Revenue Funds	<u>2,666,958</u>	<u>8,120,379</u>	<u>8,112,185</u>	<u>3,448,744</u>
Total all other governmental funds	<u>\$ 37,545,111</u>	<u>\$ 28,562,922</u>	<u>\$ 21,907,157</u>	<u>\$ 14,004,186</u>

Source: Data included in this schedule from 1999-2007 has been excerpted from prior audited financial statements.

**Fund Balances - Governmental Funds
Last Ten Fiscal Years**

2003	2004	2005	2006	2007	2008
\$ 6,900,445	\$ 355,563	\$ 249,718	\$ 700,470	\$ 663,296	\$ 612,778
<u>24,493,723</u>	<u>35,263,833</u>	<u>25,650,229</u>	<u>22,585,559</u>	<u>23,754,117</u>	<u>23,584,208</u>
<u>\$ 31,394,168</u>	<u>\$ 35,619,396</u>	<u>\$ 25,899,947</u>	<u>\$ 23,286,029</u>	<u>\$ 24,417,413</u>	<u>\$ 24,196,986</u>
\$ 3,073,100	\$ 872,954	\$ 58,666,195	\$ 94,610,279	\$ 49,857,477	\$ 23,241,680
<u>5,013,417</u>	<u>6,450,254</u>	<u>6,423,070</u>	<u>6,927,450</u>	<u>7,032,567</u>	<u>7,350,027</u>
<u>\$ 8,086,517</u>	<u>\$ 7,323,208</u>	<u>\$ 65,089,265</u>	<u>\$ 101,537,729</u>	<u>\$ 56,890,044</u>	<u>\$ 30,591,707</u>

Troy School District

	1999	2000	2001	2002
Revenue				
Local revenue	\$ 64,576,518	\$ 65,472,282	\$ 67,042,510	\$ 65,956,043
State revenue	57,811,837	57,842,775	61,070,886	63,633,937
Federal revenue	3,150,566	2,609,815	3,252,415	3,451,666
Interdistrict revenue	-	1,545,865	3,098,539	6,684,936
Total revenue	125,538,921	127,470,737	134,464,350	139,726,582
Expenditures				
Current:				
Instruction	64,918,652	68,057,547	69,549,262	72,622,801
Support services	36,371,404	37,042,664	38,329,587	42,664,745
Community services	2,456,678	2,625,103	3,880,970	2,778,534
Facilities acquisition	-	-	-	-
Athletics	1,371,499	1,490,883	1,611,032	1,655,818
Food services	2,081,635	2,256,290	2,539,691	2,750,326
Debt service:				
Principal	6,905,000	7,260,000	7,065,000	7,765,000
Interest	6,138,702	5,761,526	5,356,946	5,014,248
Other	5,992	5,244	40,723	31,254
Capital outlay	36,950,842	16,921,595	7,603,397	6,989,544
Intergovernmental transfers	-	1,614,616	1,540,438	2,478,909
Total expenditures	157,200,404	143,035,468	137,517,046	144,751,179
Excess of Expenditures Over Revenue	(31,661,483)	(15,564,731)	(3,052,696)	(5,024,597)
Other Financing Sources (Uses)				
Proceeds from sale of bonds	-	-	-	-
Debt premium or discount	-	-	-	-
Sale of fixed assets	365,507	415,129	195,841	619,774
Transfers in	1,495,926	7,333,234	1,704,077	1,852,509
Transfers out	(1,497,366)	(7,333,234)	(1,704,077)	(1,852,509)
Debt defeasance	-	-	-	-
Other	1,859,363	(3,680)	(1,928,847)	-
Total other financing sources (uses)	2,223,430	411,449	(1,733,006)	619,774
Net Change in Fund Balances	(29,438,053)	(15,153,282)	(4,785,702)	(4,404,823)
Fund Balances - Beginning of year	100,157,729	70,719,676	55,566,394	52,032,866
Fund Balances - End of year	<u>\$ 70,719,676</u>	<u>\$ 55,566,394</u>	<u>\$ 50,780,692</u>	<u>\$ 47,628,043</u>
Debt service as a percentage of noncapital expenditures	12.17%	11.69%	10.75%	10.46%

Source: Data included in this schedule from 1999-2007 has been excerpted from prior audited financial statements.

**Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years**

2003	2004	2005	2006	2007	2008
\$ 67,660,373	\$ 68,338,207	\$ 75,829,231	\$ 77,592,739	\$ 80,506,231	\$ 79,584,801
63,223,896	62,804,461	63,708,384	65,006,361	68,528,147	68,920,464
3,510,203	3,997,606	4,567,236	5,170,638	5,475,769	5,733,719
6,151,048	8,246,778	8,229,714	8,290,309	8,082,588	8,622,042
140,545,520	143,387,052	152,334,565	156,060,047	162,592,735	162,861,026
76,748,293	76,540,528	84,591,594	79,528,485	84,217,350	85,842,791
43,793,380	45,770,832	47,986,601	47,599,805	47,813,441	48,117,608
2,592,545	3,922,118	3,431,473	2,816,455	3,071,772	2,718,349
-	-	-	-	-	12,472
1,682,553	1,661,096	1,814,997	1,779,548	1,923,116	1,890,367
2,901,153	2,960,514	3,057,353	3,019,126	3,096,403	3,258,613
8,110,000	8,475,000	10,740,000	11,885,000	9,730,000	10,165,000
5,611,200	4,304,848	5,087,496	5,943,398	7,855,105	7,728,238
1,988	128,185	280,182	725	134,002	21,814
4,690,229	2,380,305	7,719,792	23,360,462	47,863,395	29,751,899
2,847,316	2,916,037	2,847,952	2,932,826	-	-
148,978,657	149,059,463	167,557,440	178,865,830	205,704,584	189,507,151
(8,433,137)	(5,672,411)	(15,222,875)	(22,805,783)	(43,111,849)	(26,646,125)
-	13,375,000	98,870,000	56,610,152	6,045,190	127,361
-	-	6,014,422	-	-	-
285,779	8,699,330	222,236	-	61,668	-
1,787,946	3,223,646	1,586,914	2,122,512	2,252,322	2,176,754
(1,787,946)	(3,223,646)	(1,586,914)	(2,122,512)	(2,252,322)	(2,176,754)
-	(12,940,000)	(39,495,000)	-	(6,511,310)	-
-	-	(2,342,175)	30,177	-	-
285,779	9,134,330	63,269,483	56,640,329	(404,452)	127,361
(8,147,358)	3,461,919	48,046,608	33,834,546	(43,516,301)	(26,518,764)
47,628,043	39,480,685	42,942,604	90,989,212	124,823,758	81,307,457
\$ 39,480,685	\$ 42,942,604	\$ 90,989,212	\$ 124,823,758	\$ 81,307,457	\$ 54,788,693
10.74%	9.86%	11.43%	13.23%	12.65%	12.63%

Troy School District

Taxable Value by Property Type						
Tax Year	Real Property				Agricultural and Other	Personal Property
	Residential	Commercial	Industrial			
1998	\$ 1,600,337,199	\$ 838,249,690	\$ 276,902,320	\$ -	\$ 504,755,690	\$ 3,220,244,899
1999	1,672,168,533	880,688,353	278,326,244	-	542,464,363	3,373,647,493
2000	1,756,307,450	974,731,550	287,395,150	-	520,650,890	3,539,085,040
2001	1,862,572,590	1,091,856,660	310,710,930	-	525,455,040	3,790,595,220
2002	1,972,340,290	1,112,229,080	332,879,420	-	498,854,208	3,916,302,998
2003	2,049,453,131	1,152,900,440	327,066,420	-	468,176,960	3,997,596,951
2004	2,158,772,810	1,147,811,590	347,707,990	-	426,948,096	4,081,240,486
2005	2,277,076,230	1,178,957,390	350,683,300	-	403,225,480	4,209,942,400
2006	2,427,726,198	1,187,083,160	351,979,910	-	384,167,410	4,350,956,678
2007	2,519,246,587	1,195,877,610	357,618,240	451,030	375,547,560	4,448,741,027

Note: Under Michigan law, the revenue base is taxable value.

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Source: City of Troy, Assessing Department

Assessed Value and Actual Value of Taxable Property

Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual
21.6200	\$ 6,440,489,798	50.00
21.6101	6,747,294,986	50.00
21.3155	7,078,170,080	50.00
21.1400	7,581,190,440	50.00
21.1400	7,832,605,996	50.00
21.1400	7,995,193,902	50.00
22.1300	8,162,568,632	50.00
22.1300	8,419,884,800	50.00
22.1300	8,701,913,356	50.00
22.1300	8,897,482,054	50.00

Troy School District

Millage Rates - Direct School District Taxes							
Tax Year	Year Ended June 30	Operating		Debt*	Sinking Fund*	Total Direct Taxes	
		Homestead	Non-homestead			Homestead	Non- homestead
1998	1999	8.0895	18.0000	3.6200	-	11.7095	21.6200
1999	2000	7.7517	18.0000	3.6101	-	11.3618	21.6101
2000	2001	7.3876	18.0000	3.3155	-	10.7031	21.3155
2001	2002	6.9237	18.0000	3.1400	-	10.0637	21.1400
2002	2003	6.5969	18.0000	3.1400	-	9.7369	21.1400
2003	2004	6.2943	18.0000	3.1400	-	9.4343	21.1400
2004	2005	6.0265	18.0000	4.1300	-	10.1565	22.1300
2005	2006	5.7387	18.0000	4.1300	-	9.8687	22.1300
2006	2007	5.3740	18.0000	4.1300	-	9.5040	22.1300
2007	2008	5.2856	18.0000	4.1300	-	9.4156	22.1300

* Debt fund millages apply to homestead and nonhomestead property

** Suburban Mobility Authority Regional Transportation

Source: Municipal Advisory Council of Michigan and City of Troy

Direct and Overlapping Property Tax Rates Years Ending June 30

Overlapping Taxes					
County	Community College	Intermediate School District	State Education	City of Troy	SMART**
4.8180	1.6522	2.1294	6.0000	9.8100	-
4.6564	1.6456	2.1208	6.0000	9.8100	-
4.6522	1.6295	2.0998	6.0000	9.4800	0.3270
4.6478	1.6109	2.0752	6.0000	9.4800	0.3236
4.6523	1.6090	3.4224	6.0000	9.4500	0.6000
4.6497	1.5983	3.3991	5.0000	9.4500	0.5974
4.4322	1.5889	3.3789	6.0000	9.4500	0.5962
4.6461	1.5844	3.3690	6.0000	9.4500	0.5950
4.6461	1.5844	3.3690	6.0000	9.4300	0.5900
4.6461	1.5844	3.3690	6.0000	9.2800	0.5900

Troy School District

Taxpayer	2007 Taxable Value	Percentage of Total	2006 Taxable Value	Percentage of Total
1 Frankel Forbes Cohen Associates	\$ 66,908,700	1.50	\$ 64,549,870	1.48
2 Liberty Property LTD PTN	42,822,850	0.96	44,522,510	1.02
3 Nykel Management Co.	40,726,630	0.92	40,726,630	0.94
4 888 W Big Beaver Assoc LLC	33,826,600	0.76	*	-
5 Osprey-Troy OfficeCentre, LLC	32,578,810	0.73	*	-
6 Kelly Services & Properties	31,360,640	0.70	32,632,130	0.75
7 Detroit Edison	27,387,010	0.62	27,165,500	0.62
8 Nemer Troy Place Realty LLC	26,513,910	0.60	25,719,770	0.59
9 LaSalle Bank	25,355,170	0.57	27,965,270	0.64
10 Sheffield Office II LLC	24,011,340	0.54	24,014,210	0.55
All others	<u>4,097,249,367</u>	92.10	<u>4,063,660,788</u>	93.40
Total	<u>\$4,448,741,027</u>		<u>\$4,350,956,678</u>	

Source: Oakland County

Note: Taxable values do not reflect adjustments from Board of Review appeals and Michigan Tax Tribunal decisions. The December 31, 2005 valuations, used for the 2006 tax year levy, are the basis of the School District's 2007 fiscal year tax revenue.

* Data not available

Principal Property Taxpayers Last Ten Years

2005 Taxable Value	Percentage of Total	2004 Taxable Value	Percentage of Total	2003 Taxable Value	Percentage of Total	2002 Taxable Value	Percentage of Total
\$ 62,372,530	1.49	\$ 61,057,410	1.50	\$ 59,713,100	1.50	\$ 58,814,340	1.51
43,507,780	1.04	42,599,790	1.04	43,191,650	1.09	46,208,450	1.19
56,361,080	1.35	55,107,070	1.35	54,827,230	1.38	53,855,480	1.38
*	-	*	-	*	-	*	-
*	-	*	-	*	-	*	-
33,786,950	0.81	34,097,390	0.84	21,853,030	0.55	*	-
33,882,660	0.81	39,840,040	0.98	41,450,850	1.04	41,429,220	1.06
25,205,320	0.60	25,106,540	0.62	24,542,100	0.62	24,179,430	0.62
27,759,750	0.66	27,138,580	0.66	25,550,320	0.64	25,550,320	0.66
*	-	*	-	*	-	*	-
<u>3,899,018,580</u>	93.24	<u>3,796,293,666</u>	93.02	<u>3,700,210,331</u>	93.17	<u>3,640,386,428</u>	93.57
<u>\$4,181,894,650</u>		<u>\$ 4,081,240,486</u>		<u>\$ 3,971,338,611</u>		<u>\$ 3,890,423,668</u>	

Troy School District

Taxpayer	2001 Taxable Value	Percentage of Total	2000 Taxable Value	Percentage of Total
1 Frankel Forbes Cohen Associates	\$ 18,596,530	0.49	\$ 58,776,560	1.66
2 Liberty Property LTD PTN	39,720,320	1.05	46,100,650	1.30
3 Nykel Management Co.	52,240,590	1.38	53,855,480	1.52
4 888 W Big Beaver Assoc LLC	*	-	*	-
5 Osprey-Troy OfficeCentre, LLC	*	-	*	-
6 Kelly Services & Properties	*	-	*	-
7 Detroit Edison	35,917,830	0.95	35,920,150	1.01
8 Nemer Troy Place Realty LLC	23,644,150	0.62	24,400,740	0.69
9 LaSalle Bank	26,460,230	0.70	26,501,380	0.75
10 Sheffield Office II LLC	*	-	*	-
All others	3,594,015,570	94.81	3,293,530,080	93.06
Total	<u>\$ 3,790,595,220</u>		<u>\$ 3,539,085,040</u>	

Source: Oakland County

* Data not available

Principal Property Taxpayers (Continued)
Last Ten Years

1999 Taxable Value	Percentage of Total	1998 Taxable Value	Percentage of Total
\$ 55,436,550	1.64	\$ 86,410,690	2.68
43,114,960	1.28	27,827,470	0.86
50,675,750	1.50	48,265,323	1.50
*	-	*	-
*	-	*	-
*	-	22,648,290	0.70
43,333,620	1.28	36,220,070	1.12
*	-	*	-
26,406,860	0.78	25,500,390	0.79
*	-	*	-
<u>3,154,679,753</u>	<u>93.51</u>	<u>2,973,372,666</u>	<u>92.33</u>
<u>\$ 3,373,647,493</u>		<u>\$ 3,220,244,899</u>	

Troy School District

Property Tax Levies and Collections Last 10 Years

Tax Year	Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Levy Collected
1998	1999	\$ 54,134,990	\$ 53,890,396	99.55	\$ 164,404	\$ 54,054,800	99.85
1999	2000	56,333,764	55,804,070	99.06	137,735	55,941,805	99.30
2000	2001	57,178,094	56,494,058	98.80	212,605	56,706,663	99.18
2001	2002	59,193,467	58,328,985	98.54	123,866	58,452,851	98.75
2002	2003	61,002,834	59,833,312	98.08	173,244	60,006,556	98.37
2003	2004	60,793,929	60,254,035	99.11	150,190	60,404,225	99.36
2004	2005	65,590,790	65,087,435	99.23	1,080,842	66,168,277	100.88
2005	2006	66,108,260	65,974,622	99.80	488,332	66,462,954	100.54
2006	2007	66,689,831	66,485,173	99.69	281,787	66,766,960	100.12
2007	2008	68,065,212	67,883,013	99.73	182,199	68,065,212	100.00

Source: Troy School District

Troy School District

Ten-year Summary of Taxable Assessed Value, State and Local Share of Revenue Sources, Foundation Allowance, and Retirement Rate History

	Taxable Assessed Value*	Share of Revenue		Foundation Allowance	Executive Order	Retirement Rate (Percent)
		State (Percent)	Local (Percent)		Reduction per Pupil	
1998-1999	\$ 3,220,244,899	51.49	40.10	\$ 7,996.18	\$ -	10.77
1999-2000	3,373,647,493	51.96	41.42	8,234.00	-	11.66
2000-2001	3,539,085,040	50.08	39.45	8,535.00	-	12.16
2001-2002	3,790,595,220	48.34	38.82	8,835.00	-	12.17
2002-2003	3,916,302,998	49.08	39.68	9,035.00	(50.00)	12.99
2003-2004	3,997,596,951	45.25	36.18	9,035.00	(74.00)	12.99
2004-2005	4,081,240,486	46.94	38.14	9,035.00	-	14.87
2005-2006	4,209,942,400	46.48	37.42	9,209.18	-	16.34
2006-2007	4,350,956,678	47.71	36.06	9,419.18	-	17.74
2007-2008	4,448,741,027	49.78	34.79	9,467.18	-	16.72

* City of Troy, Assessing Department

Troy School District

Fiscal Year	General Obligation Bonds	Less Pledged Debt Service Funds	Net General Bonded Debt	Other General Obligation Debt	Total General Obligation Debt
1999	\$ 118,735,000	\$ -	\$ 118,735,000	\$ -	\$ 118,735,000
2000	111,475,000	-	111,475,000	-	111,475,000
2001	104,410,000	-	104,410,000	-	104,410,000
2002	96,645,000	-	96,645,000	-	96,645,000
2003	88,535,000	-	88,535,000	-	88,535,000
2004	80,495,000	-	80,495,000	-	80,495,000
2005	129,130,000	-	129,130,000	-	129,130,000
2006	170,790,000	-	170,790,000	-	170,790,000
2007	160,660,000	-	160,660,000	-	160,660,000
2008	150,495,000	-	150,495,000	-	150,495,000

Population information obtained from City of Troy, Department of Planning

Source: Troy School District and City of Troy, Department of Planning

**Ratios of General Bonded Debt Outstanding
Last Ten Years**

		Net General Bonded Debt as a Percentage of	Total Debt as a Percentage of		Net General Bonded Debt per Capita	Total Debt per Capita
	Taxable Value	Taxable Value	Taxable Value	Population		
\$	3,220,244,899	4	4	84,105	\$ 1,412	\$ 1,412
	3,373,647,783	3	3	84,825	1,314	1,314
	3,539,085,040	3	3	85,821	1,217	1,217
	3,790,595,220	3	3	84,345	1,146	1,146
	3,916,302,998	2	2	84,841	1,044	1,044
	3,997,596,951	2	2	85,556	941	941
	4,081,284,316	3	3	86,408	1,494	1,494
	4,209,942,400	4	4	87,159	1,960	1,960
	4,350,956,678	4	4	87,594	1,834	1,834
	4,448,741,027	3	3	87,954	1,711	1,711

Troy School District

Direct and Overlapping Governmental Activities Debt June 30, 2008

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
City of Troy	\$ 44,828,647	80.15%	\$ 35,930,161
Oakland County at Large	109,962,280	6.87%	7,554,409
Oakland Intermediate School District	53,730,000	6.89%	3,701,997
Oakland Community College	7,965,000	6.91%	550,382
Total overlapping debt			47,736,948
Direct district debt - Net			148,760,043
Total direct and overlapping debt			<u><u>\$ 196,496,991</u></u>

Source: Municipal Advisory Council of Michigan

Troy School District

	1999	2000	2001	2002
Calculation of debt limit:				
Taxable value	\$ 3,190,628,369	\$ 3,342,102,803	\$ 3,506,037,730	\$ 3,750,278,520
15% of taxable value	478,594,255	501,315,420	525,905,660	562,541,778
Calculation of debt subject to limit:				
Total debt	118,735,000	111,475,000	104,410,000	96,645,000
Less debt not subject to limit - State qualified debt issuance	-	-	-	-
Net debt subject to limit	118,735,000	111,475,000	104,410,000	96,645,000
Legal debt margin	<u>\$ 359,859,255</u>	<u>\$ 389,840,420</u>	<u>\$ 421,495,660</u>	<u>\$ 465,896,778</u>
Net debt subject to limit as % of debt limit	24.81%	22.24%	19.85%	17.18%

Source: Troy School District and City of Troy, Department of Planning

**Legal Debt Margin
Last Ten Years**

2003	2004	2005	2006	2007	2008
\$ 3,870,991,178 580,648,677	\$ 3,950,543,221 592,581,483	\$ 4,032,417,766 604,862,665	\$ 4,157,889,090 623,683,364	\$ 4,297,663,468 644,649,520	\$ 4,448,741,027 667,311,154
88,535,000	80,495,000	129,130,000	170,790,000	160,660,000	150,495,000
-	-	-	-	-	-
<u>88,535,000</u>	<u>80,495,000</u>	<u>129,130,000</u>	<u>170,790,000</u>	<u>160,660,000</u>	<u>150,495,000</u>
<u>\$ 492,113,677</u>	<u>\$ 512,086,483</u>	<u>\$ 475,732,665</u>	<u>\$ 452,893,364</u>	<u>\$ 483,989,520</u>	<u>\$ 516,816,154</u>
15.25%	13.58%	21.35%	27.38%	24.92%	22.55%

Troy School District

Demographic and Economic Statistics Years Ended June 30

Fiscal Year	Population	Ratio of Total			
		Total Personal Income (in thousands)	Debt to Personal Income	Per Capita Personal Income	Unemployment Rate
1999	84,102	\$ 1,865,405	6.365%	\$ 22,180	1.80
2000	84,825	2,157,845	5.166%	25,439	1.70
2001	85,821	2,463,093	4.239%	28,700	2.50
2002	84,345	2,427,175	3.982%	28,777	3.80
2003	84,841	2,302,880	3.845%	27,143	4.50
2004	85,556	2,378,525	3.384%	27,801	4.80
2005	86,408	2,434,002	5.305%	28,169	4.90
2006	87,159	2,572,590	6.639%	29,516	4.90
2007	87,594	2,728,126	5.889%	31,145	5.00
2008	87,954	not available	-	-	5.40

Source: State of Michigan

Troy School District

Principal Employers Last Ten Years Years Ended June 30

Taxpayer	2007 Employees	Percentage of Total Employment	1999 Employees	Percentage of Total Employment
Flagstar Bank FSB	4,009	10.02%	-	- %
Beaumont Hospital	3,943	9.85%	2,400	5.33%
Delphi	2,000	5.00%	6,188	13.74%
Troy School District	1,954	4.88%	1,175	2.61%
U.S. Post Office	1,629	4.07%	-	- %
BBDO Detroit	1,600	4.00%	-	- %
Kelly Services	1,400	3.50%	1,470	3.27%
City of Troy	1,349	3.37%	-	- %
Entech Personnel	1,233	3.08%	1,450	3.22%
Bank of America	1,170	2.92%	1,260	2.80%
Kmart Corp.	-	- %	1,060	2.35%
Meritor Automotive	-	- %	850	1.89%
GMC - Delco	-	- %	990	2.20%
Saturn Corp.	-	- %	770	1.71%
Total principal employers	<u>20,287</u>		<u>17,613</u>	
Total employment	<u>40,012</u>		<u>45,022</u>	

Source: Oakland County

Note: Taxable values do not reflect adjustments from Board of Review appeals and Michigan Tax Tribunal decisions. The December 31, 2005 valuations, used for the 2006 tax year levy, are the basis of the School District's 2007 fiscal year tax revenue.

Note: All years are not readily available. 1999 is the earliest available data.

Troy School District

Full-time Equivalent School District Employees Last Ten Years Years Ended June 30

Function/Program	2006	2007	2008
General government:			
Instruction	779	794	790
Support services	500	471	467
Community service	60	52	47
Food service	45	44	50
Total	<u>1,384</u>	<u>1,361</u>	<u>1,354</u>

Source: Troy School District, as reported to the State of Michigan Registry of Educational Personnel.

Note: Prior to 2006 data not collected in this format.

Troy School District

Operating Indicators Last Ten Years Years Ended June 30

Year	Enrollment	Operating Expenditures	Cost per Pupil	Operating Revenues	Revenue per Pupil	Total Teaching Staff	Percentage of Students Qualifying for Free/Reduced Meals	Average Teacher Salary
1999	12,066	\$ 101,672,674	\$ 8,426.38	\$ 105,563,318	\$ 8,748.82	730	3.05	\$ 66,991
2000	12,087	107,036,910	8,855.54	106,588,576	8,818.45	755	3.25	68,482
2001	12,076	109,798,915	9,092.32	115,109,451	9,532.08	765	2.63	66,803
2002	12,083	114,607,235	9,485.00	122,473,180	10,135.99	765	2.58	69,594
2003	12,049	120,236,424	9,978.95	122,641,994	10,178.60	773	2.99	69,721
2004	12,059	123,375,990	10,231.03	124,788,691	10,348.18	768	3.58	70,249
2005	12,050	133,879,704	11,110.35	127,954,231	10,618.61	767	3.89	75,092
2006	12,022	131,169,844	10,910.82	130,225,352	10,832.25	761	4.34	73,499
2007	12,096	133,270,824	11,017.76	135,447,996	11,197.75	763	5.42	75,417
2008	12,174	136,505,061	11,212.84	136,284,634	11,194.73	774	5.22	76,302

Source: Troy School District and Michigan Department of Education Bulletin 1014

Troy School District

Function/Program	1999	2000	2001	2002
Instructional buildings:				
Elementary:				
Number of buildings	12	12	12	12
Square footage	653,967	653,967	653,967	653,967
Capacity	6,400	6,400	6,400	6,400
Enrollment	5,251	5,249	5,196	5,103
Middle:				
Number of buildings	4	4	4	4
Square footage	397,579	397,579	397,579	397,579
Capacity	3,000	3,000	3,000	3,000
Enrollment	2,910	2,877	2,894	2,974
High:				
Number of buildings	3	3	3	3
Square footage	621,625	655,247	655,247	655,247
Capacity	3,896	3,896	3,896	3,896
Enrollment	3,962	4,023	4,011	4,072
Administrative:				
Number of buildings	2	2	2	2
Square footage	44,500	44,500	46,000	46,000
Transportation/Maintenance:				
Number of buildings	2	2	2	2
Buses	67	66	73	76

Source: Troy School District

Capital Asset Information
Last Ten Years
Years Ended June 30

2003	2004	2005	2006	2007	2008
12	12	12	12	12	12
653,967	653,967	653,967	653,967	688,967	717,462
6,400	6,400	6,400	6,400	6,400	6,400
5,077	5,048	5,133	5,062	5,105	5,191
4	4	4	4	4	4
397,579	397,579	397,579	397,579	397,579	450,492
3,000	3,000	3,000	3,000	3,000	2,885
3,017	2,995	2,862	2,785	2,739	2,804
3	3	3	3	3	4
655,247	655,247	655,247	655,247	660,252	851,426
3,896	3,896	3,896	3,896	3,896	4,596
4,006	4,009	4,092	4,158	4,285	4,128
2	2	2	2	2	2
46,000	46,000	46,000	46,000	46,000	41,143
2	2	2	2	2	2
75	78	80	86	86	88

Troy School District

**Federal Awards
Supplemental Information
June 30, 2008**

Troy School District

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Independent Auditor's Report

To the Board of Education
Troy School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy School District as of and for the year ended June 30, 2008, which collectively comprise Troy School District's basic financial statements, and have issued our report thereon dated September 29, 2008. Those basic financial statements are the responsibility of the management of Troy School District. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Troy School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 29, 2008



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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Education
Troy School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy School District as of and for the year ended June 30, 2008, which collectively comprise Troy School District's basic financial statements, and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Troy School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Troy School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Troy School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

To the Board of Education
Troy School District

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

We noted certain other matters that we reported to the management of Troy School District in a separate letter dated September 29, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Troy School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moreau, PLLC

September 29, 2008

Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

To the Board of Education
Troy School District

Compliance

We have audited the compliance of Troy School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of Troy School District are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Troy School District's management. Our responsibility is to express an opinion on Troy School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Troy School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Troy School District's compliance with those requirements.

In our opinion, Troy School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-2.

To the Board of Education
Troy School District

Internal Control Over Compliance

The management of Troy School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Troy School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Troy School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Troy School District's response and, accordingly, we express no opinion on it.

To the Board of Education
Troy School District

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moren, PLLC

September 29, 2008

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Clusters:		
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:	10.555	
National School Lunch Program - 2006-2007		\$ 290,606
National School Lunch Program - 2007-2008		<u>349,417</u>
Total Child Nutrition Cluster		640,023
Special Education Cluster - U.S. Department of Education - Passed through the Oakland County ISD:	84.027	
IDEA:		
Project number 060450		1,372,672
Project number 070450		1,489,763
Project number 080450		<u>1,638,790</u>
Total IDEA		4,501,225
Preschool Incentive:	84.173	
Project number 070460		63,744
Project number 080460		<u>69,853</u>
Total Preschool Incentive		133,597
Transition Grant:	84.027A	
2006-2007		550
2007-2008		<u>550</u>
Total Transition Grant		<u>1,100</u>
Total Special Education Cluster		4,635,922
WIA Cluster - U.S. Department of Labor - Passed through the Oakland County Treasurer - WorkForce Investment Act:		
WIA Dislocated Worker:	17.260	
2006-2007		769,080
2007-2008		593,605
2006-2007 Incumbent Worker		484,254
2007-2008 Incumbent Worker		<u>301,060</u>
Total WIA Dislocated Worker		2,147,999

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ -	\$ 14,507	\$ 14,507	\$ -	\$ -
-	-	330,527	349,417	18,890
-	14,507	345,034	349,417	18,890
1,372,672	159,028	159,028	-	-
1,133,029	292,893	649,627	356,734	-
-	-	810,798	1,291,320	480,522
2,505,701	451,921	1,619,453	1,648,054	480,522
63,744	23,065	23,065	-	-
-	-	44,335	69,853	25,518
63,744	23,065	67,400	69,853	25,518
550	550	550	-	-
-	-	480	480	-
550	550	1,030	480	-
2,569,995	475,536	1,687,883	1,718,387	506,040
766,010	213,101	213,101	-	-
-	-	462,351	646,370	184,019
449,489	227,989	227,989	-	-
-	-	56,397	291,202	234,805
1,215,499	441,090	959,838	937,572	418,824

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Clusters (Continued):		
WIA Cluster - U.S. Department of Labor - Passed through the Oakland County Treasurer - WorkForce Investment Act (Continued):		
WIA Youth Activities:	17.259	
2006-2007		\$ 97,850
2007-2008		97,850
Total WIA Youth Activities		195,700
WIA Adult Activities:	17.258	
2006-2007		296,400
2007-2008		633,160
Total WIA Adult Activities		929,560
Administrative Cost Pool:	17.260	
2006-2007		59,900
2007-2008		57,162
Total Administrative Cost Pool		117,062
WIA Incentive IRA 2006-2007	17.260	8,580
WIA Incentive IRA 2007-2008		2,800
Total WIA Incentive IRA		11,380
WIA State Scholarships 2007-2008	17.260	30,600
Total WIA Cluster		3,432,301
Employment Service Cluster - U.S. Department of Labor - Passed through the Oakland County Treasurer:		
Employment Training Program:	17.207	
7A 2006-2007		309,215
7A 2007-2008		369,215
Total Employment Training Program		678,430

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ 97,764	\$ 18,259	\$ 18,259	\$ -	\$ -
-	-	62,444	87,246	24,802
97,764	18,259	80,703	87,246	24,802
296,347	88,941	88,941	-	-
-	-	354,376	629,089	274,713
296,347	88,941	443,317	629,089	274,713
59,873	16,271	16,271	-	-
-	-	41,426	56,869	15,443
59,873	16,271	57,697	56,869	15,443
8,400	3,200	3,200	-	-
-	-	-	2,800	2,800
8,400	3,200	3,200	2,800	2,800
30,600	3,392	3,392	-	-
1,708,483	571,153	1,548,147	1,713,576	736,582
309,132	62,285	62,285	-	-
-	-	247,409	269,204	21,795
309,132	62,285	309,694	269,204	21,795

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Clusters (Continued):		
Employment Service Cluster - U.S. Department of Labor - Passed through the Oakland County Treasurer - Management Supplement (Administration):	17.207	
2006-2007		\$ 25,546
2007-2008		25,546
Total Management Supplement (Administration)		51,092
Total Employment Service Cluster		729,522
Medicaid Outreach Program Cluster - U.S. Department of Health and Human Services - Passed through the Oakland Schools ISD	93.778	49,517
Other federal awards:		
U.S. Department of Education - Passed through the Michigan Department of Education:		
Title I:	84.010	
Project number 071530 0607		196,814
Project number 071530 0708		19,226
Project number 081530 0708		325,320
Total Title I		541,360
Title V-Project number 080250 0708	84.298	2,464
Safe and Drug-free Schools and Communities:	84.186	
Project number 072860 0607		28,785
Project number 082860 0708		30,349
Total Safe and Drug-free Schools and Communities		59,134
Teacher Principal Training and Security - Title II Part A:	84.367	
Project number 070520 0607		244,550
Project number 080520 0708		273,358
Total Title II Part A		517,908
Enhancing Education Through Technology - Title II Part D:	84.318	
Project number 074290 0708		2,470
Project number 084290 0708		2,793
Total Title II Part D		5,263
Service Provider Self-review project number 080440 0708	84.027	2,464

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ 25,500	\$ 4,925	\$ 4,925	\$ -	\$ -
-	-	17,053	25,082	8,029
25,500	4,925	21,978	25,082	8,029
334,632	67,210	331,672	294,286	29,824
-	-	49,517	49,517	-
196,814	6,645	6,645	-	-
-	-	19,226	19,226	-
-	-	244,006	257,417	13,411
196,814	6,645	269,877	276,643	13,411
-	-	-	2,464	2,464
28,785	6,943	16,932	6,666	(3,323)
-	-	6,121	16,000	9,879
28,785	6,943	23,053	22,666	6,556
244,550	29,941	29,941	-	-
-	-	273,358	273,358	-
244,550	29,941	303,299	273,358	-
2,470	2,240	2,240	-	-
-	-	941	1,007	66
2,470	2,240	3,181	1,007	66
-	-	2,464	2,464	-

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Other federal awards (Continued):		
U.S. Department of Education - Passed through the Michigan Department of Education:		
English Language Acquisition - Title III:	84.365	
Project number 070580 0607		\$ 199,587
Project number 080580 0708		233,181
Total Title III		432,768
Adult Education:	84.002	
Project number 071130 710247		147,800
Project number 081130 710248		150,000
Project number 081120 7500097		24,698
Total Adult Education		322,498
Total U.S. Department of Education - Passed through the Michigan Department of Education		1,883,859
U.S. Department of Education - Passed through the Oakland County ISD:		
Perkins 2006-2007	84.084A	103,741
Perkins 2007-2008		117,175
Total U.S. Department of Education - Passed through the Oakland County ISD		220,916
U.S. Department of Agriculture - Passed through the Michigan Department of Education - Food Distribution:	10.550	
Cash in lieu of commodities - 2006-2007		123,069
Cash in lieu of commodities - 2007-2008		125,323
Total U.S. Department of Agriculture - Passed through the Michigan Department of Education		248,392

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ 199,587	\$ 35,591	\$ 35,591	\$ -	\$ -
-	-	196,170	233,181	37,011
199,587	35,591	231,761	233,181	37,011
147,800	21,854	21,854	-	-
-	-	129,095	149,069	19,974
-	-	24,698	24,698	-
147,800	21,854	175,647	173,767	19,974
820,006	103,214	1,009,282	985,550	79,482
103,741	53,730	53,730	-	-
-	-	53,823	117,174	63,351
103,741	53,730	107,553	117,174	63,351
123,069	39,599	39,599	-	-
-	-	125,323	125,323	-
123,069	39,599	164,922	125,323	-

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount
Other federal awards (Continued):		
U.S. Department of Health and Human Services - Passed through the Michigan Family Independence Agency (TANF):	93.558	
Work First Employment Related 2006-2007		\$ 17,100
Work First Employment Related 2007-2008		25,000
Work First 2006-2007		277,127
Work First 2007-2008		<u>270,191</u>
Total U.S. Department of Health and Human Services - Passed through the Michigan Family Independence Agency (TANF)		589,418
U.S. Department of Health and Human Services - Passed through the Michigan Family Independence Agency (TANF) and the Oakland County Community Mental Health Authority - Community Mental Health Grant	93.958	<u>69,500</u>
Total U.S. Department of Health and Human Services - Noncluster programs		658,918
U.S. Department of Labor - Passed through the Oakland County Treasurer - One Stop Career Center Initiative:	17.257	
Service Center Operation (One-Stop) - 2006-2007		79,951
Service Center Operation (One-Stop) - 2007-2008		<u>79,943</u>
Total Service Center Operation		<u>159,894</u>
Total federal awards		<u><u>\$ 12,659,264</u></u>

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ 17,097	\$ 17,097	\$ 17,097	\$ -	\$ -
-	-	7,999	7,999	-
177,454	34,087	133,760	99,673	-
-	-	122,193	175,522	53,329
194,551	51,184	281,049	283,194	53,329
52,175	(17,375)	-	17,375	-
246,726	33,809	281,049	300,569	53,329
79,951	10,500	10,500	-	-
-	-	64,618	79,920	15,302
79,951	10,500	75,118	79,920	15,302
\$ 5,986,603	\$ 1,369,258	\$ 5,600,177	\$ 5,733,719	\$ 1,502,800

Troy School District

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Troy School District and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Grant Sections Auditor's Report

Management has utilized Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Troy School District

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.555	Child Nutrition Cluster
84.027, 84.173, 84.027A	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Troy School District

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

Reference Number	Findings
2008-1	<p>Finding Type - Significant internal control deficiency</p> <p>Criteria - The District's internal control structure should verify that accounting data is properly calculated and reported in accordance with generally accepted accounting principles.</p> <p>Condition - The District did not accurately calculate accrued vacation and sick pay.</p> <p>Context - The District is required to calculate employee vacation and sick time that has been earned and vested and record that liability on the government-wide financial statements.</p> <p>Cause - There were errors in the compensated absences spreadsheets causing both accruals to calculate incorrectly.</p> <p>Effect - Prior to the audit adjustments, the combined accrued compensated absences recorded on the government-wide financial statements was overstated by approximately \$1.6 million.</p> <p>Recommendation - We recommend that the District review all calculations prior to recording in the financial statements.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management is aware of the errors and has corrected the accrual balance and the spreadsheets for future years' accrual. Management will also double check all calculations and formulas going forward.</p>

Troy School District

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings

Reference Number	Findings
2008-2	<p>Program Name - Special Education Cluster, CFDA# 84.027, 84.073, 84.027A</p> <p>Pass-through Entity - Oakland County ISD</p> <p>Finding Type - Noncompliance</p> <p>Criteria - School districts are required to obtain periodic certifications for employees working solely on a single federal award or cost objective. These certifications must be prepared at least semi-annually and be signed by the employee or a supervisor with first-hand knowledge of work performed by the employee.</p> <p>Condition - Troy School District could not locate the semi-annual certifications for the employees charged 100 percent to a federal program or single cost objective.</p> <p>Questioned Costs - None</p> <p>Context - Costs relating to employees' salaries and wages incurred for the school year ended June 30, 2008 paid with federal grant funds were not supported by semi-annual certifications for employees charged 100 percent to the IDEA grant. Other documentation was available to support the allowability of these payroll costs.</p> <p>Cause and Effect - Management is aware of the requirement to maintain semi-annual certifications and believes that they were properly filled out for employees who were charged 100 percent to IDEA.</p> <p>Recommendation - Management should ensure that all semi-annual certifications are maintained for the appropriate employees.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District is aware of this requirement and is establishing a procedure whereby semiannual certificates are maintained for all employees working solely on a federal program or single cost objective. Management believes that the certifications were prepared, but due to turnover in management these certifications could not be located.</p>

**Troy School District
Federal Awards Corrective Action Plan
June 30, 2008**

Finding Number	Responsible Person	Management Views	Corrective Action	Anticipated Completion Date
Federal Programs Audit:				
2008-1	Monica Anderson	Management agrees with the finding and the recommendation	The spreadsheet containing identified errors will be corrected. All other spreadsheets used in preparing financial statements and supporting schedules will be reviewed as they are used.	Error correction completed. Review/verification of other spreadsheets will be an ongoing practice.
2008-2	Monica Anderson	Management agrees with the finding and the recommendation	Management believes that the certifications were obtained as required, but could not be located. To avoid this in the future, all certifications will be scanned as received and, filed in a designated location.	New practice will be ongoing

Troy School District

**Report to the Board of Education
June 30, 2008**



Plante & Moran, PLLC

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September 29, 2008

To the Board of Education
Troy School District
4400 Livernois
Troy, MI 48098

We have recently completed our audit of the basic financial statements of Troy School District (the "School District") for the year ended June 30, 2008. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational comments which impact the Troy School District.

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We are grateful for the opportunity to be of service to the Troy School District. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

Teresa L. Pollock, CPA

Andrea N. Edwards, CPA



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Results of the Audit

September 29, 2008

To the Board of Education
Troy School District

We have audited the financial statements of Troy School District (the "School District") for the year ended June 30, 2008 and have issued our report thereon dated September 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 27, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the School District. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the School District's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated September 29, 2008 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Education
Troy School District

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the School District, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in communication about planning matters on August 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate for the claims incurred but not reported for self-insured liabilities.

Management's estimate of the liability related to self-insured benefits is based on currently known facts and historical trends. We evaluated the key factors and assumptions used to develop the IBNR accrual in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

To the Board of Education
Troy School District

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the School District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School District, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the School District's auditors.

As required by OMB Circular A-133, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 dated September 29, 2008.

To the Board of Education
Troy School District

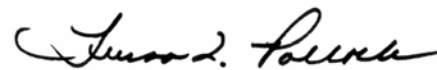
Other Information in Documents Containing Audited Financial Statements

In addition to the comments and recommendations in this letter, our observations and comments regarding the School District's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the supplemental schedule of federal awards (single audit report), and we recommend that the matters we have noted there receive your careful consideration.

This information is intended solely for the use of the Board of Education and management of Troy School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Teresa L. Pollock".

Teresa L. Pollock, CPA

A handwritten signature in black ink, appearing to read "Andrea Edwards".

Andrea N. Edwards, CPA

Informational Items and Other Recommendations

State Aid and Budgeting

2007 brought many financial challenges to the School District. Chief among them was the State's inability to put a budget plan together, resulting in a short state shut-down in October. These budget challenges at the State level meant that the School District operated for three months without knowing the final funding level the State was to provide for the 2007/2008 fiscal year. Once the plan was agreed to, the State was able to fully fund the plan, which included a base foundation allowance increase of \$48 per pupil for Troy, well below inflationary cost increases.

As you are aware, districts were required to adopt their June 30, 2009 budget prior to July 1, 2008. At the time of initial adoption, there are significant variables that are really unknown. In addition to the 2008/2009 student count, which is always unknown, there was not a state aid act officially in place to at least give the district a foundation allowance per pupil. Districts used estimates based on varying draft versions of the Act. This is compounded by the tremendous uncertainty surrounding the overall condition of the School Aid Fund as well as the State's general fund. Add to that the uncertainty of utility and fuel costs as well as healthcare costs and you begin to see that the initial budget is really tentative.

The July 2008 State Aid Act enacted by the legislature provides for a \$56 per pupil increase for Troy Schools. Districts with per pupil funding below \$8,489 were awarded a supplemental allowance of up to an additional \$56 per pupil. The MPSERS retirement rate effective October 1, 2008 will be 16.54 percent. It is anticipated that the MPSERS rate will rise sharply in 2009 as one-time fixes and earnings spreads are exhausted. The State will hold revenue estimating conferences later in the year to determine if State funds are sufficient to fund the appropriation without proration.

Therefore, it will be imperative to plan as many scenarios as possible for the 2008/2009 fiscal year and react quickly as each of these variables is resolved or finalized.

Kindergarten Full-funding "Intent" Language

As part of the State budget plan, the amendments to the State Aid Act include "intent language" to move toward a full-day kindergarten requirement. Essentially, the language provides that, beginning in fiscal years ending 2009-2010, half-day developmental kindergarten programs would be funded at 50 percent (current law fully funds those programs). In addition, kindergarten programs would be fully funded in fiscal years 2010-2011 if they operated for 60 percent of a day, and fully funded in fiscal years 2011-2012 if they operated for 70 percent of a day.

Public Act 106 of 2007

In October 2007, the State of Michigan enacted the Public Employees Health Benefit Act. This act was intended to promote greater opportunities for public school districts to control the escalating costs of health benefits provided to School District staff. The act provides for changes in three areas:

- Mandates solicitation of competitive bids for health insurance at least once every three years, or when a plan is enacted or substantially modified
- Mandates the release of individual district claims data by existing providers
- Allows for school districts to form and participate in health insurance pools

The act is not intended to replace a school district's collective bargaining activities, but has created many more alternatives to the programs currently used in most school districts. We encourage you to explore the cost-saving options now available. We would be happy to assist you in evaluating your best options to provide optimal health coverage for your staff at competitive prices.

Michigan Business Tax Changes Impacting Public Schools

The State of Michigan has recently replaced the Michigan single business tax with the new Michigan business tax (MBT). Two provisions of the new MBT will impact K-12 funding.

The MBT expands the existing community foundation credit to include educational foundations. If your educational foundation meets certain specified criteria, business donors can receive an MBT credit equal to 50 percent of their contribution, limited to 5 percent of the donor's tax liability or \$5,000. This provision will provide tax incentives to businesses to support educational foundations and, as a result, could lead to enhanced funding to the School District.

The MBT also provides for personal property tax relief to businesses. Businesses will receive a 24 mill reduction on industrial personal property, and a 12 mill reduction on commercial personal property. Most school districts will experience a substantial reduction in personal property tax receipts. To offset this reduction, the MBT requires the State to make specific payments to the School Aid Fund. It remains uncertain exactly how these funding changes will impact individual school districts, and the resulting cash flow may be delayed as the payments migrate to the 11 monthly state aid payments. We encourage you to closely monitor these changes and adjust your budgeting and cash flow plans accordingly.

New IRS Form 990

Recently, the IRS released the final draft of the new Form 990, effective for tax years beginning on or after January 1, 2008. Form 990 is not required for governmental entities, but many School District supporting organizations such as foundations, booster clubs, etc. will be impacted. The new form is the first major revision in almost 30 years. The IRS developed this new form under three guiding principles: to enhance transparency, to promote tax compliance, and to minimize the reporting burden on filing organizations. However, for larger organizations, many believe the new form to be much more complex and burdensome than the previous Form

990. The final draft contains significant revisions from the first draft released by the IRS in June 2007.

Because of the significant changes with the new Form 990, the IRS also announced a graduated transition period for smaller organizations. For the 2008 tax year, organizations with gross receipts less than \$1.0 million and total assets less than \$2.5 million will be allowed to file the Form 990-EZ. For the 2009 tax year, organizations with gross receipts less than \$500,000 and total assets less than \$1.25 million will be allowed to file the Form 990-EZ. The filing thresholds will be set permanently at \$200,000 gross receipts and \$500,000 total assets beginning with the 2010 tax year. Organizations with donor-advised funds and organizations with controlled entities are not allowed to file Form 990-EZ, and must file Form 990. Also, starting with the 2010 tax year, the IRS will increase the filing threshold for organizations required to file Form 990-N (the e-postcard) from \$25,000 to \$50,000.

For copies of the new Form 990 and more detailed information, the IRS website link is: <http://www.irs.gov/charities/article/0,,id=176613,00.html>

403(b) Annuity Plans

The IRS has finalized regulations that will require schools to take more responsibility in the operation and compliance of their 403(b) arrangements, including operating the plans under a written document. The regulations have a delayed effective date of January 1, 2009. School districts will need to carefully balance their degree of involvement vs. delegation as they implement a compliance strategy.

It will be important to establish a School District plan document and implement vendor agreements that establish the responsibilities of the School District and the vendor to eliminate confusion and provide a compliance road map. Your business office has been very involved in these regulations and is working on agreements which will make the School District compliant by the January 1, 2009 deadline.

Information Technology Controls

As a result of the new audit standards which were in effect for the current year, we were required to perform a more detailed and comprehensive review of the School District's technology controls and procedures. During this IT review, we noted certain areas that can be enhanced to meet industry best practices.

- We noted that no formal process exists to immediately notify IT of terminated employees. Pentamotion access is typically terminated when access for a new staff member is created. It also appears that notification of a terminated employee for the purpose of disabling network access is currently occurring informally; nothing is formally documented. We recommend that a formal process (paper or electronic) be implemented to document and file within IT or HR the date/time of employee termination and all access deleted by IT.
- For key accounting and operational staff, transaction level logging should be enabled prior to and immediately after the termination date. The transactions of the user should be reviewed by the supervisor or HR to ensure that unauthorized activity is detected and reviewed at termination.

- During our review, we noted that there appears to be a test user ID (TDSTEST) with administrative network access. Management should investigate disabling this account as it does not appear to be assigned to a single staff member.
- Minimum password length for both the network and financial is recommended to be seven characters (alpha and special). Passwords for both applications should expire minimally within 90 days. The network should be set up to lock out users after a set number of unsuccessful logon attempts. A common practice would be to lock out users after three unsuccessful attempts for at least 15 minutes. Either the network or the financial application should be set to timeout, requiring re-entry of the password after 15 minutes.
- During our review, we noted that the School District does not require third parties accessing the network to sign the information security program/acceptable use policy. We recommend that the School District expand its acceptable use program to include third parties with network access and require that a form be signed indicating compliance with the School District's policies. The signed form should be retained by IT.